Weekend FT

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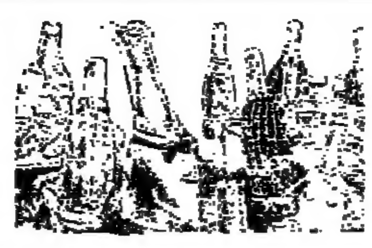
She was not the only one
How the Tories dump their leaders, **John Campbell** on the long history of the men in grey suits. **John Lloyd** assesses the influence of the Thatcher creed and its acolytes. *Pages I & XXII*



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EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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Weekend November 24/November 25 1990

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WORLD NEWS

Bush claims stronger unity against Iraq

President George Bush said he had reinforced the unity of the international coalition against Iraq at the end of a week-long tour of Europe and the Middle East.

Mr Bush and Egyptian president Hosni Mubarak agreed that any peaceful solution to the Gulf crisis must involve complete withdrawal from Kuwait. **Page 26; Kuwait curfew lifted; More UN votes needed; Meeting upsets Israelis, Page 4**

Gorbachev deadline
The Soviet parliament gave President Mikhail Gorbachev two weeks to present detailed plans for sweeping new powers to halt economic chaos and ensure reliable supplies of food during the winter.

IRA bomb attack fails
An IRA attempt to blow up a security checkpoint in Northern Ireland with its biggest ever bomb failed when just the detonator blew up. Explosives weighing 3,500lb were packed in a truck and a kidnapped driver ordered to take it to the checkpoint in County Fermanagh.

Liberian rebel base held
The West African peacekeeping force in Liberia said that it had captured a base of rebel leader Charles Taylor near the capital Monrovia and was advancing on rebels north of the city.

Doctors back action
Many junior hospital doctors are prepared to take industrial action in support of a shorter working week, the British Medical Association said. A survey found that junior doctors were on duty on average for 90 hours a week while a few were on call for 121 hours.

German official arrested
Hans-Juergen Mauthner, the deputy director of the east German state railway, was arrested on suspicion of defrauding it of DM3.6m (£1.2m).

Rockets fired at Kabul
Three people died when guerrillas fighting the Soviet-backed Afghan government fired rockets into the capital Kabul.

Drug ring broken
Amsterdam police smashed a Colombian drugs ring operating in Europe and seized 194kg of cocaine worth more than £8m, the largest haul of its kind in the Dutch capital.

Bhopal compensation
Indian commerce minister Subramaniam Swamy said the new government wants more than the £240m compensation paid by Union Carbide Corporation for victims of the 1984 Bhopal gas leak, in which nearly 2,500 people died.

Indonesia killings claim
Politicians and soldiers in the Indonesian province of Aceh say hundreds of people are being killed and hundreds more are disappearing in a military operation against armed rebels. **Page 3**

China appoints HK chief
Peking has appointed Lu Ping, a senior Chinese official,as head of the Hong Kong and Macao Affairs Office, the Chinese organisation dealing with the territories. **Page 3**

Roald Dahl dies
Writer Roald Dahl died at the John Radcliffe Hospital, Oxford, aged 74. He was admitted on November 12 with a mystery infection.

BUSINESS SUMMARY

WPP warns bankers of debt jeopardy

WPP Group, the marketing services company whose share price collapsed this week following a profits warning, indicated to its bankers that it may breach the covenants on its loan agreements next year.

However bankers close to the group said it had not requested waivers for the covenants at this week's meetings. This indicates that no imminent breach is likely. **Page 12; J. Walter Thompson to shed 40 jobs, Page 9**

BRITISH Sky Broadcasting said that the majority of the senior managers at the UK satellite broadcasting company would come from Sky Television, adding to the impression that the so-called merger with British Satellite Television was to be more of a takeover by Sky. **Page 26; Unfocused signals surrounding BSkyB, Page 11**

SOUTH KOREA is to allow foreign securities companies to set up branches and joint ventures in the country from next year but they must meet tough capital requirements. **Page 3**

CERUS, French holding company, raised FFr540m (£55.4m) through the sale of one of its big equity holdings to Clinvest, the investment arm of Crédit Lyonnais bank. **Page 14**

COMMERZBANK, Germany's third largest bank, reported an 18 per cent increase in partial operating profits to DM1.1bn (£380m) for the year to October and said a dividend increase was likely. **Page 14**

TRADE: France's foreign trade deficit narrowed sharply in October, to FFr5.9bn (£600m) against September's FFr10.18bn, the country's worst shortfall for more than four years. **Page 2**

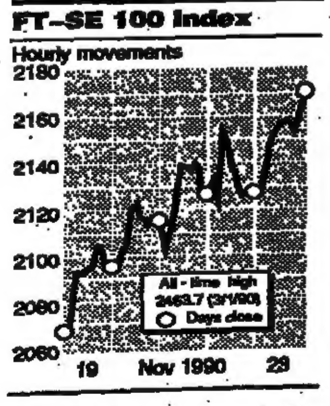
RENAULT, French state-owned car maker, is planning to make 40,000 cars a year in Iran with Saipa, the country's nationalised car producer. **Page 2**

NEW York Stock Exchange was forced to shut down for 90 minutes soon after opening because of a power outage that knocked out a computer system. At mid-session, the Dow Jones Industrial Average was 1.73 higher at 2,541.09. **World stock markets, Page 23**

QUALCAST Garden Products, Derby-based lawnmower manufacturer, is to make 97 workers redundant because the recent spate of dry summers has cut demand for its products.

AER LINGUS, Irish state airline, is cutting services and increasing fares to counter rising fuel costs and falling passenger numbers. The cuts, which are expected to bring a saving of I£20m (£18.3m), will affect flights between Ireland and the UK.

FT-SE 100 Index



The FT-SE 100 share index rose 2 per cent on the day, and 5 per cent on the week, to finish at its highest closing level since mid-August.

■ Major and Hurd claim strong support ■ Heseltine adopts a lower profile

Struggle to capture wavering Tory MPs

By Ivo Dawnay, Alison Smith and Ralph Atkins

THE battle for the post of Britain's next prime minister gathered pace yesterday with supporters of Mr John Major, the chancellor, claiming to have won the backing of a third of the Tory MPs who will vote on Tuesday.

All three contenders were making a clear attempt to take the bile out of what has up to now been a bitter contest.

In delicately judged presentations, Mr Major and Mr Douglas Hurd, the foreign secretary, emphasised the "friendly" nature of their leadership bids in an effort to capitalise on their claims as potential unifiers of the Conservative party.

Thatcher resignation..Pages 6-8
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Mood of the markets....Page 10
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The two candidates formally launched their campaigns by following the lead of Mr Michael Heseltine in pledging to reform the poll tax.

But with all three contenders now locked in a struggle to win over wavering MPs, there were conflicting assessments of each candidates' support.

In a radio interview, Mr Heseltine said large numbers of right wing MPs who had supported Mrs Thatcher had now come over to his cause, backing up his assertion that his leadership would be capable of uniting the party.

His rivals, however, played heavily on their own abilities to heal Conservative wounds after the damaging first ballot.

Last night, Mr Hurd's campaign managers said he had firm support from just under 100 MPs and would gain ground as constituency associations made their backing known at the weekend. They also contended that Mr Major's pledges were "softer" than those of their own candidate.

Mr Heseltine adopted a deliberately lower profile in the contest. His backers are convinced that his strengths will emerge in opinion polls due to be published at the weekend.

All three contenders were indicating that they would take their rivals into their cabinets in the interests of party unity.

While each stresses the common ground they share on the economy and Europe, there were clear differences in emphasis. Speaking on Channel 4 television news last night, Mr Heseltine said the main question was who would be most capable of winning the next election for the Conservatives.

Mr Major took the toughest position on a single European currency – the issue which precipitated Mrs Thatcher's resignation. Emphasising his own "hard Ecu" alternative, he described the Delors Plan for economic and monetary union as "a thoroughly bad move, not just for the UK, but for the whole of the European Community".

He also put heavy stress on the need for social mobility and his vision of a "genuinely classless society".

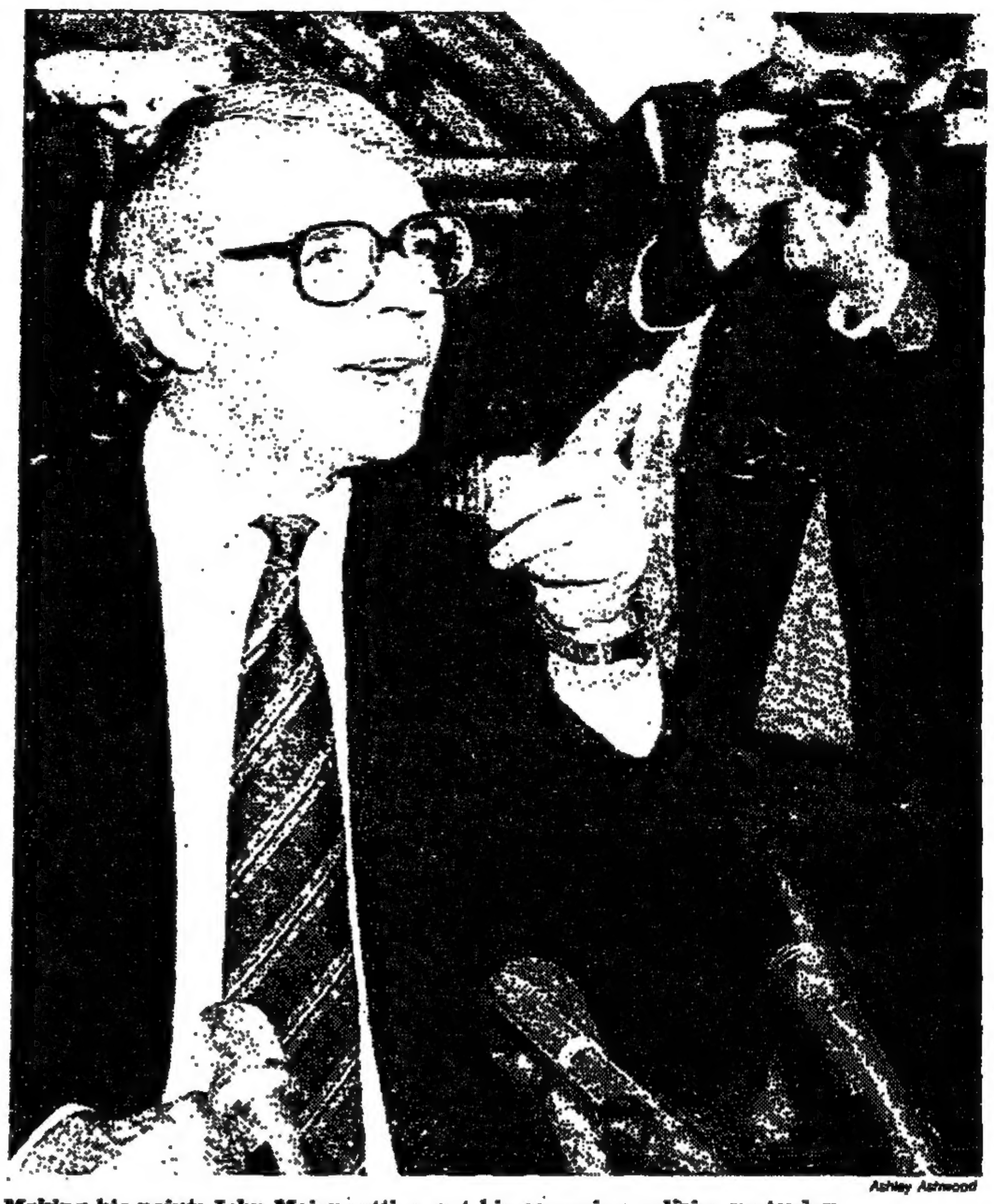
Mr Hurd played on the respect he has won for his steady handling of the Gulf crisis, saying it "weighs on my mind among the issues more heavily than anything else at the present time".

He said a review of the community charge (or poll tax) would be an "urgent priority" and characterised his campaign as based on "sound money and social responsibility".

Cabinet ministers were last night continuing to move strongly behind the two new contenders, with none publicly declaring for Mr Heseltine.

So far, Mr Hurd is claiming the support of Mr Kenneth Clarke, the education secretary, Mr Malcolm Rifkind, the Scottish secretary, and Mr William Waldegrave, the health secretary, beside his two sponsors, Mr Tom King, the defence secretary, and Mr Chris Patten, the environment secretary.

He also received the public support of Lord Home of Hirsel, the former prime minister.



Ashley Ashwood

Making his point: John Major setting out his campaign policies yesterday

Mr Major's camp claims Mr Peter Lilley, the trade secretary and Mr Michael Howard, the employment secretary. It was joined yesterday by Mr John MacGregor, the leader of the house of Commons alongside his formal backers Mr John Gummar, the agriculture minister, and Mr Norman Lamont, the chief secretary to the Treasury.

Meanwhile, Labour was yesterday stepping up its attack on all three candidates with renewed calls for a general election. Mr Neil Kinnock, the Labour leader, said the three were "too stained by the past for them to provide anything for the future", and that whoever won the contest should call an early general election.

He said that none of them would make real changes to the government's policies in areas such as health, education and interest rates.

As for the poll tax, the choice was between Mr Heseltine "who knows there is a problem and doesn't really know what to do about it, Mr Major, who knows there is a problem and doesn't really want to do anything about it, and Mr Hurd who has only just found out there is a problem".

Grassroots opinions are expected to weigh heavily on those undecided Tory MPs who were returning to their constituencies yesterday.

Most believe that nearly all MPs' minds will be made up when they return to Westminster on Monday, just 24 hours before the second ballot begins. But it is also widely thought that the contest will only be decided on a third ballot on Thursday.

MR JOHN MAJOR emerged yesterday as the bookmakers' favourite in the race for the Tory party leadership.

Ladbrokes reported a £20,000 bet on the chancellor and shortened his odds from 5-2 to even money. William Hill also offered evens, while Coral quoted 11-10. Mr Heseltine was quoted at 5-4 and 11-8, while Mr Hurd was offered at 7-2 and 4-1.

Wealth of choices for an encore

WHAT will she do next?

Not this weekend when she is expected to go to Chequers, her official country residence, for the last time.

Or next Tuesday when she will answer prime minister's questions after she votes in the leadership ballot on the same day.

Or even, should the Tory leadership contest go to a third round, next Thursday, which would be positively her last appearance at the despatch box.

But after that – after she has vacated Number 10 Downing Street at the end of her record-breaking, 11½-year occupancy, a process which began yesterday with the first appearance of the removal men.

No doubt Mrs Thatcher will reflect on the question at Chequers this weekend as she flicks through the messages of sympathy, including letters from President François Mitterrand of France, President Vaclav Havel of Czechoslovakia, and Mr Charles Haughey, the Irish prime minister, which flooded in yesterday along with the flowers.

A return to the backbenches is inevitable in the short term. But she is too great a figure to be content to mingle in the tea rooms with the people her supporters vilify as gutless opportunists – the backbenchers who forced her out.

She may glance in the mirror to imagine how ermine would suit her. As Countess Thatcher she could spawn a political dynasty to match the Macmillans or the Churchills. In 40 years her grandson's appearance on our television screens could force us to explain to inquiring youngsters how Thatcherism flowered and died in the latter years of the previous century.

But she has too much life in her to while away her time in what some regard as a political old folks' home.

Headhunters say interna-

Continued on Page 26

Shares and sterling advance

By Peter Marsh and Edward Balls

HOPES of a prolonged honeymoon period with a new prime minister were evident in financial markets yesterday, which continued with the gains seen in the aftermath of Mrs Margaret Thatcher's resignation.

Shares, gilt-edged stocks and sterling all rose amid widespread hopes that the new leader would make an early move to cut the 14 per cent base rate in an effort to arrest the economic slide and to improve the outlook for hard-pressed companies.

On the London stock market, the FT-SE 100 share index gained 42.6 to close at 2,170.5.

Sterling rose by more than 1 pfennig against a weak German currency, to close at DM2.9225. Against the dollar, the pound was little changed, at $1.9675. Trading was light due to the Thanksgiving holiday.

The Bank of England, in an effort to damp speculation about an easing in borrowing conditions, made a highly unusual move in its activities on the London money market.

It insisted for the second day running that it would not go below the 14 per cent base rate when lending money to the UK banking system. The Bank followed up its similar move on Thursday by lending £580m at the high penal rate for two weeks, rather than the more usual week. This will force up banks' interest payments, biting into profit margins.

It may force them to reconsider their actions of recent weeks, during which they have increasingly lent among themselves at relatively low rates, up to half a percentage point beneath the base rate.

Speculation persisted about an early reduction in the base rate continued in spite of the Bank's move.

MARKETS

STERLING
New York lunchtime:
$1.9672 (1.97)
London:
$1.9675 (1.969)
DM2.9225 (2.91)
FFr9.8525 (9.825)
SFr2.475 (2.46)
Y250.5 (250.75)
£ Index 94.3 (94.2)

GOLD
New York: Comex Dec
$384.5 (379.8)
London:
$384.25 (380.25)

N SEA OIL (Argus)
Brent 15-day Jan
$30.625 (30.0)

Chief price changes yesterday: Page 26

DOLLAR
New York lunchtime:
DM1.48645
FFr5.0125
SFr1.26
Y127.35
London:
DM1.486 (1.478)
FFr5.0075 (4.99)
SFr1.2585 (1.249)
Y127.3 (127.3)
$ Index 60.0 (59.9)

US LUNCHTIME RATES
Fed Funds 7½%
3-mo Treasury Bills:
yield: 7.234%
Long Bond:
$103\frac{8}{32}$
yield: 8.499%

STOCK INDICES
FT-SE 100:
2,170.5 (+42.6)
FT Ordinary:
1,712.2 (+40.0)
FT-A All-Share:
1,042.54 (+1.8%)
New York lunchtime:
DJ Ind. Av.
2,541.09 (−1.73)
S&P Comp
316.00 (−0.03)
Tokyo: *Closed for holiday*

LONDON MONEY
3-month interbank close:
$13\frac{7}{16}$% ($13\frac{13}{16}$)
Liffe long gilt future:
$86\frac{25}{32}$ ($86\frac{5}{16}$)

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Austria Sch24; Bahrain Din0.700; Bermuda $1.90; Belgium BFr55; Canada C$1.90; Cyprus C£0.90; Denmark DKr12.00; Egypt E£3.25;Finland Fmk9.50; France FFr7.50; Germany DM2.60; Greece Dr180; Hong Kong HK$14; Hungary Ft107; Iceland IKR180; India Rup15;Indonesia Rp5,100; Ireland IR£0.80; Israel NS3.50; Italy L2000; Japan Y600; Jordan JD1; Korea Won 2000; Kuwait Fils.500;Lebanon £1,400; Luxembourg LFr55; Malaysia Rin4.25; Malta 40c; Mexico Pes900; Morocco Dh8.00; Nigeria Naira12.00; Netherlands Fl3.25; Norway Nkr12.00; Pakistan Rs35; Philippines Peo 40; Poland ZI 9000; Portugal Esc165; S.Arabia Ris8.00; Singapore S$4.10; Spain Pta165; Sri Lanka Rup30; Sweden SKr12.00; Switzerland SFr2.50;Taiwan NT$65; Thailand Sht50; Tunisia Din0.800; Turkey L2000; UAE Dh7.00; USA $1.00.

France's foreign trade deficit narrows sharply

By William Dawkins in Paris

FRANCE'S foreign trade deficit narrowed sharply in October, after a month which had seen the worst shortfall for more than four years.

Its trade gap was FFr5.9bn (£600m) last month, against September's FFr10.13bn, according to seasonally adjusted figures published by the Finance Ministry yesterday. A sudden jump in industrial exports, which usually follow a very irregular pattern in France, and a slowdown in oil imports were the main features behind the change.

This brings the deficit to FFr38.5bn for the first 10 months of the year, a small improvement on the FFr39.5bn shortfall in the same period of 1989.

It indicates that France is on track to meet Finance Ministry forecasts of a FFr40bn deficit this year, down slightly from FFr43bn in 1989. The previous month's results were distorted by a big rise in oil imports as industrial and private consumers, worried about the impact of the Gulf crisis, built up larger than usual winter stocks.

According to separate figures from the INSEE state statistics body yesterday, gross national product rose by 1.3 per cent in the third quarter, indicating a 2.7 per cent growth rate for the full year – well below the 3.7 per cent achieved in 1989.

Within the trade results, overall exports rose 9 per cent month on month, to FFr102.4bn in October, compared with an average of FFr96.1bn over the three preceding months. Imports rose by 3.5 per cent from the September level to FFr106.3bn against the FFr103.1bn average for the previous three months.

The deficit on the energy account was FFr9.1bn last month, down on the FFr10bn shortfall in December, which was achieved in spite of the rise in oil prices. The industrial shortfall fell even more steeply, to FFr3.9bn from FFr7.8bn in September.

France's deficit with the rest of the European Community fell from FFr7.7bn to FFr2.5bn, while the trading shortfall with the US widened from FFr3,2bn to FFr4.5bn.

Renault to make 40,000 cars a year with Iran group

By William Dawkins

RENAULT, the French state-owned car maker, is planning to make 40,000 cars a year in Iran with Saipa, the country's nationalised car producer.

Renault has signed a letter of intent to produce the vehicles in a FFr500m (£51.3m) factory to be financed by Saipa in a Tehran suburb. The deal is due to be finalised in six months, during which Saipa has undertaken to try to resolve a payments dispute with Coface, the French state export credit agency.

Coface has imposed a strict limit on trade with Saipa since several hundred millions of francs of payments due to Renault were allegedly blocked after Saipa's nationalisation by the Iranian revolutionary government in 1980.

However, the controversy has not prevented Saipa acquiring limited numbers of kits for Renault 5 hatchbacks, all sold by Renault under a Coface guarantee. Saipa will make 12,000 Renault 5s this year and has produced 110,000 since it started manufacturing under licence in 1975.

The new plant would initially produce 20,000 Renault 21 saloon and estate cars from the middle of next year, rising to 50,000 annually by the end of the decade. It would use a much higher level of locally made parts than the Renault 5 now does in Iran. Meanwhile, output of the Renault 5 would be lifted to about 20,000 vehicles a year.

This is part of Iran's current five-year economic plan, agreed last March, which envisages a domestic market for 250,000 cars per year.

Michelin cuts, Page 14

Poll blow to Yugoslav reforms

By Laura Silber in Belgrade

ATTEMPTS by the Yugoslav government to implement reforms suffered a setback after the outcome of last weekend's elections in the republic of Bosnia Hercegovina.

The elections catapulted nationalist parties into power at the expense of the League of Reform Forces led by Mr Ante Markovic, the prime minister.

Mr Markovic, who personally campaigned in Bosnia, won only 12 of the 240 seats in the bi-cameral national assembly, or parliament. Although a second round of elections will be held later in the month, it is unlikely that the prime minister will be able to win a significant representation.

Instead, the composition of the republic's new government will be divided between the Party for Democratic Action, the largest Moslem party which won 59 of the seats, the Serbian Democratic Party which won 61 and the Croatian Democratic Union with 33. The results are a bad omen for Mr Markovic's chances in the elections in Serbia on December 9, where he has been under sharp attack from Serbia's communists led by Mr Slodoban Milosevic.

Yesterday all the main non-communist parties said they would boycott Serbia's elections on the grounds that the election rules were unfair and would facilitate fraud.

● Croatia's Interior Ministry yesterday said one policeman was killed and one wounded when masked gunmen ambushed a patrol car in Benkovac near the town of Knin where last month Serbs sealed off the town and declared it an autonomous region.

Damp prospects: a campaign worker for prime minister Tadeusz Mazowiecki stands among rain-soaked commuters in Warsaw yesterday. Mazowiecki is trailing in the polls for Sunday's presidential elections. Walesa magic, Page 11

Third of E German cotton jobs axed

By David Goodhart

NEARLY one third of the 77,000 cotton industry workers in the east German states of Saxony and Thuringia have lost their jobs since the beginning of the year, according to the Cotton Industry Association of the two states.

About 20,000 jobs have already gone with another 15,000 set to go around the end of the year. By the end of next year the industry is expected to employ only about 21,500.

The association said the main reason for the job losses was the collapse of the domestic market which has been flooded with goods from western Europe and the Far East.

Italian tax row

The Italian government yesterday risked provoking additional strike action by stock exchange dealers when it renewed by decree law a controversial tax on capital gains from equity trading, John Wyles reports from Rome.

Protests against the tax, of 12.5 per cent or 20 per cent depending on the length of time for which a share has been held, have closed the Milan stock exchange for four sessions in the last eight days.

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Belgium says branch of Gladio will be disbanded

By Lucy Kellaway in Brussels

THE Belgian branch of a secret Nato organisation set up during the Cold War is to be disbanded, the Belgian government said yesterday. Its announcement comes less than a month after the government claimed its ignorance of the existence of this organisation – known as Gladio.

The government is to launch a parliamentary inquiry into the activities of Gladio, which also has branches in many other European countries. France, Italy, Germany, the Netherlands and Luxembourg have all admitted to the existence of the group.

However, it probably will not start until results of a separate probe by Mr Guy Coeme, the defence minister, into the shadowy group are known.

Earlier this month the government confirmed that the body still existed in Belgium, although said it was moribund and consisted mainly of a radio communications network. A former member of the group has said it had arms caches and a sabotage network.

The inquiry will look into an alleged link between Gladio, and a chain of supermarket killings in Belgium in the 1980s, believed to have been carried out by an ultra right-wing group intent on toppling the government.

Branches of this secret organisation were set up at the beginning of the 1950s to combat the threat of a Soviet invasion.

Yugoslav armed forces 'ready to intervene'

By Anthony Robinson

THE Yugoslav armed forces would be prepared to intervene to "protect the integrity and survival" of Yugoslavia as a federal state "in case of a radical crisis" Admiral Branko Mamula, former Yugoslav defence minister, said in London this week.

Speaking at the Royal United Services Institute for Defence Studies, Mr Mamula added: "If we had to resort to repressive means – including military force – we are convinced that Yugoslavia would be able to control the situation within its borders."

Mr Mamula, a strong supporter of former Marshall Josip Tito's legacy of a federal state, warned that the type of confederation proposed by Slovenia and Croatia was not acceptable "because the creation of a national state of Serbs or Croats is not possible without bloodshed . . . and is not possible even with it."

National and ethnic rivalries not only prevented Yugoslavia from entering the European integration process but also posed a possible cause of conflict in Europe.

Only days after the CSCE conference in Paris formally ended the cold war, he warned: "The security of the new Europe is threatened by the rise of nationalism in eastern Europe and the crisis in the multinational states such as the Soviet Union and Yugoslavia."

With the disappearance of the former League of Communists the armed forces remains one of the few all-union institutions, although the fact that over 60 per cent of its officers are Serbs causes it to be viewed with suspicion in the non-Serb republics, especially those pushing for greater autonomy in a looser confederal structure and, in some cases, outright independence.

The rising tide of nationalist and ethnocentric politics was confirmed at last weekend's elections in Bosnia-Herzegovina where all Yugoslav parties were rejected.

Bosnia is a microcosm of the tensions afflicting Yugoslavia as a whole while its capital, Sarajevo, is notorious as the place where ethnic tensions and rivalries, combined to provide the spark which set off the First World War.

Tough requirements by South Korean authorities criticised by securities companies

Seoul to open capital markets to foreigners

By John Ridding in Seoul

FOREIGN securities companies will be allowed to set up branches and joint ventures in South Korea from next year, but will have to meet tough capital requirements, according to guidelines from the ministry of finance.

Draft copies of the guidelines were leaked yesterday to foreign securities companies in Seoul. A member of the team responsible for the guidelines said he expected no significant changes before they were formally announced early next month.

The opening of South Korea's capital markets has been a sensitive trade issue. The US and European countries have applied pressure for South Korea to adhere to a schedule announced in 1988, under which the securities industry would open in 1991 and the market would be opened to direct foreign investment the following year.

The guidelines, which are consistent with the 1988 schedule, list criteria which potential investors must satisfy. These include the requirement that the company must have had a representative office in Seoul for at least two years, must have been engaged in the securities industry for at least 10 years, and must satisfy minimum levels of capital.

For a joint venture, the necessary level of paid-in capital has been set at won 50bn (£35.4m) for companies engaged in activities other than brokerage, and at won 70bn for those also doing brokerage business. Foreign companies must hold between 40 and 50 per cent of the joint venture equity, and the net worth of a foreign candidate must be over won 300bn.

For a branch company, the necessary operating capital depends on the range of business activities in which it will be engaged. Foreign branches will be allowed to trade, act as a broker and underwrite stocks and bonds, and require capital of won 10bn, 15bn, or 20bn, depending on whether they do business in one, two or all of these areas.

Foreign securities companies said that the guidelines were largely in line with expectations but expressed reservations about the levels of capital required.

"They are very high and I see this a way of restricting the opening of the market," said the chief representative of a western securities company in Seoul.

The requirement that the foreign companies have been present in Seoul for at least two years will also exclude several well known international securities companies such as Salomon Brothers of the US and Warburgs of the UK.

Analysts expect that a total of eight to 10 licences will be issued, including two joint venture permits. They are expected to be evenly divided among US, UK, European, Japanese and Hong Kong based companies.

A managing director at one of the largest Korean securities companies said the introduction of foreign companies would increase the efficiency of Korea's capital markets but said he was "very concerned about the impact on an already depressed securities industry".

Most Korean securities companies will suffer losses this year as a result of the sharp fall in the Korean stock market, which has lost about 25 per cent of its value since the beginning of the year.

Hundreds dying in Indonesian conflict

By Claire Bolderson in Jakarta

LOCAL politicians and soldiers in Indonesia's westernmost province of Aceh say hundreds of people are being killed and hundreds more disappearing in a massive military operation against armed rebels.

Bodies, some of them badly mutilated, are discovered almost every day in the troubled eastern region of the province. Villagers have reported finding at least three mass graves and locals say unidentified corpses are frequently left on roadsides.

The rebels, referred to by the Indonesian authorities as the Security Disturbing Movement or GPK, have for the past year been waging a campaign of violence largely at members of the armed forces and civilians from outside Aceh, a staunchly Islamic province where separatist sentiments run high.

Maj Gen Pramono, the regional military commander, says most of the dead are victims of the rebels. Many civilians, including political leaders in Aceh, blame the army for most of the killings.

Hundreds of people, including academics and three members of the provincial parliament, have been arrested and many of the detainees have since disappeared. Human rights groups say there has been a breakdown of judicial process in the province.

The army has refused to say how many have been taken into custody. No figures have been given, either, for the number of civilians killed although Gen Pramono says the security forces have lost "dozens" of members.

The general says there are now about 5,000 troops in the province. Military sources in Aceh itself, however, put the total at 12,000.

Little is known about the aims and leadership of the GPK, which is believed to include some former soldiers dismissed from the armed forces last year. Earlier this year the rebels sent letters to the local press in which they claimed to be fighting for independence for Aceh. With extensive natural gas reserves, forests and mineral deposits, Aceh is one of Indonesia's richest provinces.

Many local people, complaining that it is the government in Jakarta rather than the Acehnese which is reaping the benefits of that wealth, initially supported the rebels. However, support now seems to be dwindling rapidly as violence in the province escalates.

Hong Kong economy picks up

By John Elliott in Hong Kong

HONG KONG'S economy has picked up in the past month and is now growing at an annual rate of about 4 to 5 per cent, having been near zero earlier this year.

But the improvement, which is driven primarily by domestic demand with some help from exports, is developing more slowly than expected, and the government yesterday revised its growth forecasts for the year downwards from 2.5 per cent to 2.3 per cent.

This compares with growth rates in the boom years of 1986 and 1987 which averaged 13 per cent. Last year there was a sharp decline to 2 per cent, well below forecasts of 6 per cent. The decline has been caused by China's political and economic problems, along with world trade trends.

Inflation is also running substantially higher than forecast, boosted by rising oil prices, and is expected to reach 11 per cent by the end of this year, having risen to 10.4 per cent in October. The average increase in the consumer price index is forecast to be 9.7 per cent for the whole of this year, up from earlier forecasts of 8.5 per cent.

Domestically produced exports fell by about 2 per cent in real terms to HK$61bn in the third quarter over the same period last year, according to government statistics for the third quarter of this year published yesterday. This compares with a drop of 1 per cent a year ago. Demand is expected to be further dampened because of the Gulf crisis and the state of the US economy.

But re-exports of goods produced elsewhere, mainly southern China, grew by 14 per cent in real terms to HK$109bn, compared with only 5 per cent a year ago when China's Tiananmen Square crisis hit business.

Peking appoints new chief for colony

By John Elliott

LU PING, a senior Chinese official with extensive knowledge of Hong Kong, has been appointed head of the Hong Kong and Macao Affairs Office, the Peking organisation dealing with the two territories.

Lu, 63, has been a deputy director since 1987. He replaces Ji Pengfei, 81, who had headed the office for eight years. Ji had close ties with China's top leaders and he used these from 1982 to shape the future of the two territories, which return to China's sovereignty in 1997 and 1999.

Lu is not as high in the Peking hierarchy as Ji and will not be strong enough to take an independent line. However, diplomats last night said that his knowledge would be valuable in shaping and executing policies.

Ji and Li Hou, another deputy who is 67, submitted their resignations in April, citing old age, at a time when Peking was trying to tighten its grip over the two territories with a revamping of government organisations.

Peking has taken a harder line since millions of people in Hong Kong and the Portuguese enclave of Macao demonstrated last year in favour of the Tiananmen Square democracy movement. However, in recent weeks it has showed that it is also concerned that Hong Kong's economy should continue to prosper.

Demonstrators in Tokyo confront police yesterday in protest at Emperor Akihito and his enthronement ceremonies

Odinga throws down the gauntlet to Kenya leader

By Julian Ozanne in Nairobi

MR Ajuma Oginga Odinga, one of Kenya's most powerful opposition politicians, posed a direct challenge to President Daniel arap Moi yesterday when he announced that he was launching a second political party. The country's one-party constitution makes such a move illegal.

Mr Odinga, Kenya's first vice-president and a leader of the Kenya's second largest tribe, the Luo, said an open democratic process was necessary to to wipe out what he called political hooliganism and thuggery, prevent looting of the state by senior politicians and establish a system of accountability so that corruption can be eliminated.

"We have decided, without equivocation, to launch a political party that will safeguard democracy," Mr Odinga said.

The announcement will be greeted with concern by Mr Moi who has set his face against multi-party politics.

The president has repeatedly said a multi-party system would plunge Kenya into chaos, instability and tribal strife and has branded his opponents as subversives and stooges of foreign powers.

Mr Moi's government has been under unprecedented pressure this year to introduce political pluralism. Mr Odinga's direct challenge to one-party rule will reignite political passions. The severity of that challenge will depend on the Luo community's reaction.

Christian militia to withdraw from Beirut

By Lara Marlowe

LEBANON'S Maronite Christian militia, the Phalange, yesterday agreed to withdraw from the East Beirut suburb of Ashrafieh, enabling the government of President Elias Hrawi to honour its promise to create a militia-free capital.

Despite statements by Mr Albert Mansour, the defence minister, that everything was going according to schedule, the militiamen's agreement to leave the once-affluent, hillside district came four days after the government's November 19 deadline.

Lebanon's three other main milicias, the Druze PSP and the Shia Moslem Amal and Hizbollah movements, pulled out before the deadline.

The Phalange has from the beginning maintained an ambivalent attitude towards the peace process agreed in Taif, Saudi Arabia, last year.

Two Phalangist parliamentarians who participated in the Taif peace conference waited several months before taking up their cabinet posts and Mr Samir Geagea, the militia leader, only recognised the deal – and Elias Hrawi as president – after General Michel Aoun, his one-time Christian ally, attacked him earlier this year.

After President Hrawi met Syrian President Hafez al-Assad in Damascus on Monday, the Lebanese government agreed to a number of Phalangist demands in an apparent attempt to salvage the Greater Beirut plan.

The militia insisted that pro-Syrian militiamen of the Syrian Social Nationalist party and Mr Elie Hobeika's breakaway Phalangists leave the Metn hills which they entered with Syrian troops on October 13. Mr Geagea's militia also demanded that army troops "whose presence reassures the population" replace its gunmen in Ashrafieh.

The Lebanese army is expected to deploy Christian soldiers.

By resisting implementation of the Greater Beirut plan, the Phalangists have in effect obtained equal treatment with Lebanon's other religious communities.

INTERNATIONAL NEWS

More UN votes needed to justify use of force against Iraq

Setback for Bush's Gulf strategy

By Lionel Barber in Washington

AFTER a week of intense diplomacy, the Bush administration has been forced to accept that it still does not have enough votes to secure overwhelming approval of a UN Security Council resolution authorising the use of force against Iraq.

The US may now have to wait until next month or early in the New Year before it is ready to press its UN partners once again to consider a motion on military action, diplomats and officials said yesterday.

Although the delay looks like a setback for the administration, officials said it would allow more time to stiffen Congress and American public opinion, while coinciding more closely with the date when the renewed US military build-up in the Gulf should be complete.

Mr James Baker, US secretary of state is likely to decide the next UN moves with President George Bush when both return to Washington this weekend.

US officials stressed that the diplomatic situation remained fluid, but a three-track process has begun to emerge which appears to enjoy widespread

backing among UN members, including the Soviet Union, whose support for the use of force has been in doubt.

The first step will occur this week when exiled Kuwaitis present grisly testimony of the atrocities which men, women and children have suffered at the hands of Iraqi occupying forces.

The evidence could be made public before Mr Baker chairs a meeting of the Security Council at foreign minister level on the Gulf crisis. "This is all about consciousness-raising," said one UN official.

This could be followed by an interim, condemnatory resolution.

The next step could be a Security Council ultimatum to President Saddam Hussein, declaring that this amounted to his last chance to withdraw from Kuwait peacefully. This warning could be issued by Mr Baker as council president for the month of November, though diplomats cautioned that the text needed refining and that it would need to be carried unanimously to secure passage.

The option could include an ultimatum to Iraq to leave by a certain date, whereupon the Security Council would reconvene to consider a resolution authorising military action.

The US yields the chair to Yemen, sympathetic to Iraq, at the end of this month. Some diplomats believe a resolution on force might be difficult to secure until January, when Zaire takes over as council chairman.

These diplomats, along with other US officials, said they believed the Soviet Union would ultimately support a resolution authorising force. Moscow's wavering this week stemmed partly from long-standing worries about the Soviet ties to its long-standing client, Iraq, as well as factions within the Kremlin resisting the more co-operative forces led by Mr Eduard Shevardnadze. But above all, differences come down apparently to timing.

With sanctions only three months in force, and US public opinion still harbouring doubts about war, the Soviets appear to have calculated that there was no need at this stage to concede to a resolution. The Chinese appear to share this view.

The US is adamant that it has no interest in ramming through a resolution on force with a bare majority of the Security Council, or risking a veto from one of the permanent five members. "Nine votes to six is not good enough," said one official. "We want 12-3 or 13-2."

Ten previous UN resolutions have won overwhelming support, and the US wants a similar tally "with the one that really matters". But Mr Baker also has one eye on Congress, and seems to have calculated that he needs US support to hold in front of the House and Senate to strengthen domestic support for the cause.

Night-time curfew lifted in Kuwait

IRAQ has lifted the night-time curfew in Kuwait after apparently crushing the Kuwaiti resistance and starting to integrate its new "19th province" into the Iraqi administration.

"The decision was taken to confirm that life has returned to normal in the province," the official Iraqi News Agency said yesterday, quoting the Kuwait-based Iraqi newspaper al-Nida.

A foreign resident of Kuwait, employed as a civil servant, confirmed yesterday after leaving the country that Iraqi troops had all but stamped out the resistance by killing suspected Kuwaiti fighters in front of their relatives.

"The administration is beginning to assert itself," he told the Financial Times. "People are adjusting to a different sort of normality."

Most of those who remain behind are Kuwaitis and Palestinians. The streets are busy, and shops are open, together with roadside stalls which have sprung up in Kuwait City since the Iraqi invasion in August. Meat and vegetables from Jordan and Iraq are on sale, according to residents who have left the country.

Civil courts are functioning and some 200 marriages have taken place under Iraqi law. Iraqi bureaucrats are asking people to pay outstanding telephone bills.

But neither the Iraqis nor the Kuwaitis seem wholly convinced that the invaders will stay in the country for ever. Iraqi traders visit Kuwait to buy up stocks of

Life has returned to nearly normal in Iraq's '19th province' but nobody believes the invaders will stay forever, reports *Victor Mallet*

Kuwaiti goods for resale elsewhere, but no concerted attempt has been made to colonise the country.

The Iraqis have repeatedly postponed the date by which Kuwaitis are supposed to hand in their passports and adopt Iraqi nationality, and the food rationing imposed in Iraq itself has yet to be introduced.

Perhaps the most telling sign of all is that the Kuwaiti dinar is still worth five Iraqi dinars on the black market, compared to the official Iraqi rate of 1:1.

That implies a belief that Kuwait will eventually be liberated, although some Saudi banks have been ordered to change small sums for Kuwaiti refugees.

There is a sense of solidarity among those Kuwaitis who remain, and class distinctions have been whittled away in the atmosphere of conflict. Long used to the services of Asian maids to do the housework and look after their children, they have become more self-reliant following the exodus of foreign workers. Some of them blame the exiled al-Sabah family for their plight.

Palestinians see little light at the end of the tunnel. Iraq's brutal occupation has eroded some of the sympathy they had for President Saddam Hussein as a champion of the Arabs against Israel, but they also fear they would be victimised as collaborators if the Kuwaiti government were to be restored.

Many westerners are still in hiding, but Iraq continues to replenish its stock of hostages from Kuwait while releasing others from Baghdad.

Only yesterday the Foreign Office in London said 10 British citizens had been rounded up in Kuwait in the previous two days; five have already been transferred to a Baghdad hotel. More than 500 Britons are still in hiding in Kuwait.

US Air Force Staff Sgt Karyl Gibson fills sand bags to fortify medical facilities at a base in Saudi Arabia yesterday

Meeting upsets Israelis

PRESIDENT George Bush's meeting in Geneva last night with President Hafez al-Assad of Syria drew bitter comments from Israeli officials disquieted by the rapprochement the Gulf crisis has produced between Washington and one of Israel's main foes, Hugh Carnegy writes from Jerusalem.

However, the meeting may well have the welcome side-effect of ensuring a balancing meeting between Mr Bush and Mr Yitzhak Shamir, the Israeli prime minister, whose icy personal relationship is no secret and who have not even spoken by telephone for months.

In Cairo yesterday, Mr Bush went out of his way to say he saw no misunderstandings with Israel and said he hoped to see Mr Shamir soon – the first public indication that he may meet the Israeli premier in the US next month.

Mr Shamir said he understood the meeting with Mr Assad was part of the US effort against Iraq. But Mr Moshe Arens, the defence minister, voiced strong Israeli concerns that Washington's tightening ties to Arab countries will be at Israel's expense.

NEWS IN BRIEF

WEU studies rapid deployment force

NINE European members of Nato are to consider setting up a rapid deployment force, possibly of around 100,000 troops, and a naval counterpart to help deal with regional crises such as that in the Gulf, Reuter reports from Brussels.

Two reports from the Western European Union (WEU) on the subject were made public yesterday. Mr Jaap de Hoop Scheffer, a Dutch parliamentarian who wrote one of the reports, also called for more countries to contribute to the military build-up in the Gulf and for the WEU to send a hospital ship staffed by crewmen from member states.

US asks Nato for ships

The US asked its Nato allies yesterday to lend it ships and aircraft to transport reinforcements from western Europe to the Gulf, Nato sources said, Reuter reports from Brussels.

Washington is expected to boost its troop presence in the area to at least 400,000, making it possible for the coalition ranged against Iraq to free Kuwait by force if necessary.

An urgent request for transport to be lent "at no cost" was made at the headquarters of the 16-nation alliance and was the second in recent weeks, the sources said.

Jordanians protest against Bush

More than 1,000 pro-Iraqi demonstrators took to the streets of the Jordanian capital yesterday to protest against President Bush's visit to the region, AP reports from Amman.

The protestors waved Jordanian, Iraqi and Palestinian flags and chanted "America is the head of the snake." Several peaceful but noisy anti-US demonstrations were also staged in other Jordanian cities and towns.

Pro-Iraqi sentiments run high in Jordan, which has a majority of Palestinians.

Iranian oil waits at sea

Oil traders believe Iran must be taking a heavy gamble on war breaking out in the Gulf by letting up to 30 million barrels of unsold crude oil shipments mark time at sea between the Red Sea and southern England, Reuter reports from London.

Oil industry-employed tanker spotters are getting used to seeing Iranian flags off Lyme Bay on England's south coast and off Cadiz in southern Spain. Some of the ships have been there since last month and more are reported on the way.

Traders reckon there are about 15 to 20 tankers at sea carrying an average 1.5m barrels of Iranian crude each. The unsold cargoes, together with Iranian crude held in storage in Rotterdam and Le Havre, may total 22-30m barrels, they said.

Canada cuts spending

Canada is to cut C$350m (£153.50m) from various government programmes to help pay for its military commitment in the Gulf, Bernard Simon writes from Toronto

Of the total, C$250m was related directly to government operations and the rest would come from postponing other spending plans and grants in the departments of agriculture, the environment and transport. 1,700 Canadian troops are in the Gulf, along with two destroyers, a supply vessel and a squadron of CF-18 jet fighters.

Egyptians arrested

Police arrested 33 Egyptians, including two parliamentary candidates, during a march yesterday to protest at President Bush's visit, opposition sources said, Reuter reports from Cairo. A large group of people marched through Cairo's streets, demanding that Mr Bush withdraw American troops from the Gulf region.

EDUCATION

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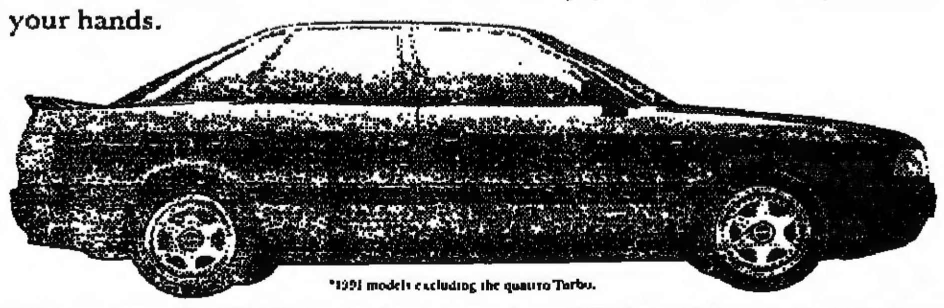

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UK NEWS

THE THATCHER RESIGNATION

JOHN MAJOR'S CAMPAIGN

Classrooms and a classless society

MR JOHN Major's campaign opened yesterday with emphasis on social mobility and the claim that he had the support of more than a third of the 372 Tory MPs who will vote for a leader on Tuesday.

At a press conference in the Treasury, he promised to review the poll tax, emphasised the importance of education and the need to improve teachers' status, and said that he could unite the party.

Mr Major talked about the increased choice and opportunity which had become available to people over the past decade. One of the government's greatest achievements, he said, had been to narrow the gap between blue-collar and white-collar workers.

He wanted to see the gap narrowed still further, through changes which would "produce across the whole of this country a genuinely classless society so people can rise to whatever level from whatever level they started".

Mr Major's team say that he now has the support of about half the cabinet. Yesterday, his campaign was boosted by backing from Mr John MacGregor, the leader of the Commons.

"I think John and Douglas will make an excellent team, but I am supporting John because I think he has the right combination of skills and appeal," he said.

The Tory MPs who had pledged their support were, Mr Major emphasised, from all strands of opinion within the party, and across a wide geographical and age range. He would need 187 votes to win on Tuesday.

His campaign team denied that his base was solely on the right of the party.

On the poll tax, Mr Major conceded that although there were already changes due to take effect in April, there was clearly "still concern about the impact of the community charge".

He said that he was listening to colleagues and did not rule out further changes, though he added that there was at present no consensus about what the change should be.

"I have become increasingly convinced we will not be able to leave things as they are," he said. The government would need to be clear about what any change would mean and whether it would be an improvement.

While Mr Major talked of building on the educational reforms already implemented, to give further choice to schools and parents, he declared that it was also essential to increase the status of the teaching profession.

"I would like to see a profession of teaching that will be so attractive it will encourage the best and brightest of our youngsters into the profession in future years," he said. He did not offer any explanation of how he would seek to achieve this.

He dismissed the idea of a referendum on European economic and monetary union, saying that such matters were "primarily decisions for the UK parliament". The way forward on Europe, he said, was with "gradualism, pragmatism and common sense".

He was confident that next month's inter-governmental conference in Rome on Emu would produce an agreement which would allow the whole of Europe to go forward together, and would be acceptable to the House of Commons.

There would not be a single currency without the UK, he said, because the EC countries wanted Britain to be at the centre of its future development.

He defended his own and the government's record on the economy, saying that between now and the next election, he intended to "build on the achievements we have reached together during the last 10 years and build on the policy we have followed over the years".

Asked about party unity in the wake of Mrs Thatcher's resignation, he said that he believed the party "both can and will unite after this leadership election".

Shrugging off suggestions that he was too dull to be prime minister, he ended his press conference with a joke about the performance in Australia of the England cricket team, which was all out for 194.

"It is not a good score for them but would be a perfectly satisfactory score for me," he said.

Alison Smith

SIR GEOFFREY HOWE yesterday said he had no regrets about the role he played in the Conservative party leadership battle. "I don't feel any sense of guilt," the former deputy prime minister, said at a tree planting at St Francis Roman Catholic first and middle school in Caterham, Surrey (above). "I spoke as I thought I had to speak," said Sir Geoffrey, whose resignation almost two weeks ago paved the way for Mr Michael Heseltine's challenge to Mrs Thatcher. However, Sir Geoffrey, who delivered criticisms of Mrs Thatcher in his resignation speech, kept his opinions on challengers Mr Heseltine, Mr Douglas Hurd and Mr John Major close to his chest. "I have nothing else to say." Nor would he speculate on whether he would be given a portfolio in a future cabinet. Sir Geoffrey, who has been dubbed the "dead sheep", looked relaxed and happy as he donned boots and shovelled earth around a sapling.

TORY MPs

Greater willingness to consult local activists

THE MORNING after the day before, Tory MPs were recovering from the emotions engendered by the prime minister's resignation, and turned their minds to how they would vote in Tuesday's leadership contest.

Suddenly no longer able to assume that the party at large would want them to vote for Mrs Thatcher, there were signs among some MPs of a wider readiness to take advice from the constituencies in the second round and the changed circumstances.

Mr Stephen Norris, MP for Epping Forest, said he had already consulted his constituency party on possible eventualities last weekend.

At the meeting of about 30 party activists he had been told to support Mrs Thatcher in the first round, but had been warned that she should stand down if it went to a second ballot. If that happened, they felt he should back Mr Hurd.

Other MPs carried out hasty consultations yesterday, before committing themselves to supporting a particular candidate.

Mr Julian Brazier, MP for Canterbury and a Thatcher supporter in the first round, said that he now supported Mr Douglas Hurd.

"The factors that influenced me were, on the constituency side, I got a very strong feeling on the first round that whatever the outcome Michael Heseltine would be a divisive choice."

Other factors included the need to "heal our wounds" and the "enormous hole" left in the international scene.

Dame Jill Knight, MP for Edgbaston, said she was supporting Mr Heseltine, although she still wanted to know how people in her own constituency felt. "He would be the best one to win a general election", she said. She was holding a number of weekend consultations in her constituency.

Mr Jacques Arnold, MP for Gravesham, said he consulted the executive of his local party during Friday, before moving firmly to support Mr Major.

His executive had carried out their own consultation among local branches, and backed Mr Major because they felt he would "carry forward the Thatcher approach".

While there had been a few who supported Mr Heseltine, there was a strong hostility to him also, he said. Mr Hurd did not seem to have made much impact and his local party had decided to go for the younger candidate.

Mr Tim Smith, MP for Beaconsfield, said he wanted to get as many views as possible, and would spend the weekend talking to people. He was not holding a meeting, because "I don't want a debate".

Mrs Elizabeth Peacock, MP for the marginal seat of Batley and Spen, said yesterday that although she supported Mr Heseltine in the first round, she had not decided how to vote in the second ballot and would consult.

Mr Ian Twinn, MP for Edmonton, who was on Mrs Thatcher's campaign team in the first round, was in a similar position. He said he had issued a general invitation to party workers to come and see him to give their views.

Mr Twinn said that he did not believe that general lobbying of MPs by the campaign teams would now be very influential. More effective would be clear policy statements from the candidates on where they stood on the issues.

Despite the increasing number of firm pledges of support, there is clearly all to play for. Next week's result could be decided in local party offices across the country.

Alison Smith
Ralph Atkins

DOUGLAS HURD'S CAMPAIGN

Charting a new course towards a 'listening government'

SUPPORTERS of Mr Douglas Hurd yesterday admitted that Mr John Major's campaign had got off to a better start, but insisted the foreign secretary's was catching up fast.

While refusing to put exact numbers on his supporters, Mr Hurd's team said he was running well ahead of Mr Michael Heseltine and would pick up a large number of second-preference Heseltine votes if the ballot went to a third round.

One described the campaign as now on "an even keel" with that of Mr Major and warned against the quality of some polling of MPs by his rivals. Another thought his supporters were approaching 100.

Mr Hurd launched his campaign at a press conference in the Foreign Office by emphasising what he believes is his ability to unite the party. He committed *himself* to *forming* a balanced cabinet and a "listening government", and hinted that Mr Major would remain chancellor.

The foreign secretary played heavily on his role in the Gulf crisis, saying that as events moved into a critical phase, Britain would need "cool, authoritative and resolute" leadership.

On what he called the "tough and unpopular" business of the poll tax, he said improvements in the pipeline would not be enough. The foreign secretary talked of making the community charge "fairer and more acceptable" but refused to make "policy on the hoof".

Mr Hurd denied he was weak on economics, saying he had participated in cabinet discussions over the past six years. He committed himself to the principles of "sound money, prudent finance, not spending what you haven't got, letting businessmen run their business". He would aim, like Mrs Thatcher, to reduce taxes.

Mr Hurd's campaign managers at Westminster acknowledged Mr Major's early success in picking up many right-wingers and "Euro-sceptics" in the party. But with little to separate the two on policy, they were confident Mr Hurd's experience would attract all shades among Conservatives.

Mr Hurd, describing himself as from the centre of his party, said at his press conference that "the people who are at this moment working for me come ... from all parts of the Conservative parliamentary party."

Speaking on BBC Radio, Mr Michael Fallon, a junior education minister who is a prominent right-winger, said Mr Hurd had "enormous experience in foreign affairs at a difficult time in Europe and the Gulf". There would be the "added bonus" of keeping Mr Major at the Treasury.

Public backing for the foreign secretary has come from five Cabinet ministers: Mr Tom King, defence secretary, Mr Chris Patten, environment secretary, Mr William Waldegrave, health secretary, Mr Kenneth Clarke, education secretary, and Mr Malcolm Rifkind, Scottish secretary.

In front of the press he appeared relaxed and enjoying his campaigning. Several times he indulged his sarcastic sense of humour, saying of a speech of his circulated to reporters: "I read it again last night and I found it extraordinarily good."

He mapped out a broad theme which suggested that many of the changes under Mrs Thatcher would remain. The National Health Service and education were "good reforms" that needed to be "carried through".

However, he thought the principles of sound money

He mapped out broad themes which suggested many of the changes under Mrs Thatcher would remain

extended beyond economics and went "hand in glove" with social responsibility. The essence of democratic government was to "listen, decide and persuade".

Underlining marked differences in style from Mrs Thatcher, he said: "Assertion is not the same as persuasion. We must spend more time on persuasion."

On his appeal to voters in Scotland where Tories lag in elections, he said he had two "perfectly good" Scottish grandmothers and so could claim to be half Scottish.

He wanted a pragmatic approach to Europe in which Britain protected its interests while continuing to "hammer out" with its partners the shape of the new Europe.

As if to underline his credentials as a hardliner, he attacked politicians in Northern Ireland for living in the 17th century.

Ralph Atkins

THATCHER'S CHILDREN

Spectacular success and mere survival

THEY were the post-punks who became the the Class of '79. Many went on to become Young Upwardly Mobile persons (Yuppies) and Young Affluent Parents (Yappies).

Some flew to to the top and refined themselves into Green Urban Professionals (Gruppies), while others got stuck in the middle or fell with a bump.

For the non-achievers it became a question of survival.

Following Mrs Thatcher's resignation, a nation is littered with political orphans – men and women who quite literally grew up under her. Education and training, job-hunting, finding a house and a partner, and voting were all experienced under her premiership.

John Clegg, 31, a managing director, was on a business trip in New York when he heard the news of Mrs Thatcher's resignation in his hotel room. "I was shocked, I was struck numb and my instant reaction was just to sit on the bed.

"Then a feeling of tremendous sadness came over me. She's been the best prime minister Britain has ever had and I just couldn't believe she was just going to fade out of my future."

The first general election he voted in, after leaving grammar school, was 1979 and he voted Conservative. "She was saying that those who put in a lot of effort into their work should be rewarded and I liked that."

Ten years ago Mr Clegg lived in a bedsit and earned £14,000. Today he and his wife live in a four-bedroom house in Hampstead. His income, including bonuses, is £200,000. He owns a Mercedes and a company-registered Porsche.

Helen Grogan, 29, an unmarried manager of equity sales would not reveal her salary. She learnt about the resignation on the FT-SE Trig screen. "It is a moment I shall always remember because the screen just went completely blue." Although that is normally good news in her line of trade, Helen, who lives in Chelsea, admitted only to feeling what "a great shame that she had gone".

Ms Grogan was born into a lower-middle-class background in Grantham, Lincolnshire, like Mrs Thatcher. "I voted Liberal in 1979 like my parents but I have become more right-wing over the years.

"I admire Mrs Thatcher enormously for making society very meritocratic. It didn't matter what school you came from. As long as you were bright you were fine. I also think she has changed the attitudes of men towards women. Without being a table-thumping feminist, she has been an example that as a woman you can be a success and not an incompetent drag."

Michael Norris, 21, is a third-year student at Reading University. "A student came into the lecture room and said 'Mrs Thatcher has resigned'. The general tone of our reaction was of sadness, of great loss.

"People in that room were Conservatives and had never known anything else but Mrs Thatcher. It was definitely a moment I will remember for the rest of my life."

Mr Norris voted Conservative in the last election. Under Mrs Thatcher, he has not felt the need to protest about anything. "Call it apathy I suppose. I felt protest in this country, particularly if you're a student, gets you nowhere, it just falls on deaf ears."

The class of seven-year-olds Mr Hugh Rawson was teaching at Beleville Primary School, Wandsworth, south London, broke out in cheers when they were told Mrs Thatcher had announced her resignation.

Mr Rawson, said: "I told them the news. I said this probably won't mean much to you but you'll remember it one day when you read it in your history books. Everyone clapped. I personally was very pleased."

Mr Rawson, 26, has only criticism for the outgoing prime minister.

"I feel very bitter with the way she's dealt with education both as a teacher and the son of my father, a university lecturer. He left for the States five years ago because of what she was doing to universities here. When I meet people, I have to excuse myself somehow: I say I'm only a teacher."

Some weeks, Mr Rawson works longer hours than either Mr Clegg or Ms Gorman. His salary is £11,750 and he shares a rented house with seven other people.

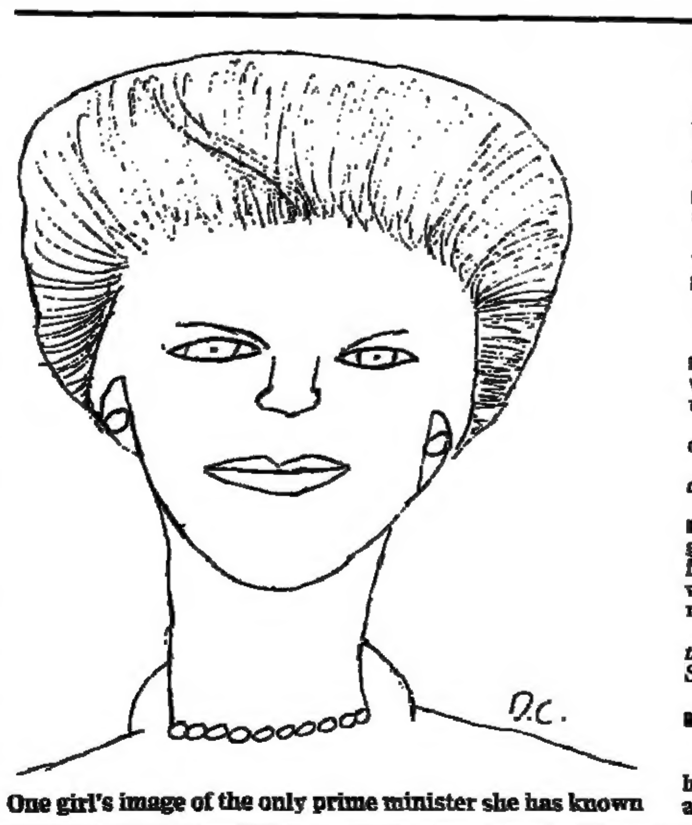
About the time Mrs Thatcher announced her resignation, one of her younger 'children' Andrea Derby, 17, from the East End was still sleeping in her cardboard 'home' near Waterloo Bridge.

Yesterday, Andrea was flanked by a group of alcoholics as she warmed her hands over a burning rubbish tip. "I'm glad she's gone. She was a silly old bag. Perhaps things will get better now."

Andrea ran away from school at 16 and was "thrown out" of her council home by her stepfather five months ago. She has been sleeping rough and begging ever since.

"I've tried getting the odd job here and there ... catering, cleaning, that sort of thing, but when I tell 'em I'm sleeping on the streets nobody wants to know."

Jimmy Burns



One girl's image of the only prime minister she has known

■ "Look, I know you're busy, Dad, but – Whoopee."
Sara Jones, 17, who telephoned immediately on arriving home from school and hearing the news.

■ "Can a man be prime minister?"
"Of course he can silly. I wonder if Mr Gorbachev's going to stand?"
A class of 8 and 9-year-olds, Woodford, Essex.

■ "She created yuppies and wealth but she also created an underclass.
"There's more hope now – especially for young people."
Claudia, a photography student, 18.

■ "Daddy, Mrs Thatcher's gone. She said 'shut up' to her friends too often and they won't play with her any more."
Elizabeth Dalby Gray, 5, on the telephone to her father in Scotland.

■ "I'm glad and I'm sad."
"How can you be both?"
"I'm glad she's leaving because she should have left ages ago. I'm sad because she is a very nice person who sometimes does the right things."
Seven-year-old William Rhys James, Woodford Green, Essex.

■ "Will she come back soon as prime minister?"
Cedric Jacquelot, aged 8.

■ "Oh, that's all right."
Alexander Walker, 8, on being told that Mrs Thatcher had resigned.

■ "It's a bad thing she's gone"
"Why?"
"Women make better leaders than men."
"Why?"
"Because at lunchtime in school the girls never talk when they are not supposed to and the boys do."

■ "I didn't expect her to give way just like that – it was a turn up for the books and a bit of a shock. I can't say really that I'm sorry, but just a little sad. No matter what her ways, and one didn't agree with all she did, no one could say that she wasn't someone to be admired."
Marcus, 16, Tunbridge Wells

GRASSROOTS

Major leads in local straw polls

STRONG SUPPORT for Mr John Major emerged from a straw poll in Tory constituencies yesterday. With emotions running high, local officers were busy answering calls from distressed party members while sounding out opinion.

Support for Mr Major appeared greater than for Mr Douglas Hurd, while Mr Michael Heseltine's following appeared small, in spite of his assiduous cultivation of constituency associations.

Feeling among the party faithful was mainly shock and despair at Mrs Thatcher's going, according to the agents.

Mrs Deborah Slattery, agent for Norwich North, said telephone calls to her office showed her that Mr Major enjoyed a three-to-two advantage over Mr Hurd. Only one caller to her office supported Mr Heseltine.

Mr Major was also reported to enjoy substantial support in Pendle, a north-west seat. From a survey of 100 supporters, 55 backed Mr Major, 38 Mr Heseltine and only six favoured Mr Hurd.

A telephone canvass in the Blaby constituency of Mr Nigel Lawson, the former chancellor, showed support at about 80 per cent for Mr Major, 15 per cent for Mr Heseltine and 5 per cent for Mr Hurd.

Conservatives in Grantham, Mrs Thatcher's home town, swamped the party's local office with telephone calls expressing regret at the prime minister's decision. Most of the callers expressed a preference for Mr Major to succeed her.

John Mason
Ivor Owen

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THE THATCHER RESIGNATION: *Candidates & Country*

Choice before Tory MPs in the race for the top

DOUGLAS HURD:

Political thriller with unlikely hero

FEW PEOPLE doubted that, if called upon to do so by enough supporters and the circumstances were propitious, Mr Douglas Hurd would run for the leadership of the Conservative party. At the same time, few, including probably the foreign secretary himself, have thought of him as an obvious choice for the premiership.

Certainly, until very recently, Mr Hurd, now aged 60, has tended to give the impression that the Victorian pile which houses the Foreign Office was an infinitely more congenial place than the deceptively cosy Downing Street residence nearby.

Those who witnessed the delight with which this former diplomat assumed the office of foreign secretary last year became convinced that he had achieved the summit of his political ambitions. The job seemed tailor-made for him, and Mr Hurd stressed that he intended to enjoy it as long as it lasted, without too much concern about his future career.

Mr Hurd feels that there are many other things in life that are worth doing apart from politics. A family man – his second wife Judy was once his secretary – he would like to spend more time with his young children. He has given the impression that he would like to write more books to add to the list of political thrillers and more serious political works of which he is the author or co-author.

There was, therefore, something slightly unconvincing in Mr Hurd's proclamation, not only that he would run for the Conservative leadership, but that he considered himself to be the best candidate. One almost felt that he was doing it mainly out of duty to the party rather than for reasons of personal ambition, and that tactical motives – to stop Mr Michael Heseltine from winning the race – played a bigger part than a real desire to become prime minister.

Apart from being a member of the same party, Mr Hurd is in most ways the antithesis of Mrs Thatcher, which is both his strength and weakness when it comes to leading the government and fighting a general election. His style, reflecting his patrician background – he is the son and grandson of Tory MPs and was educated at Eton and Cambridge – is very different from that of Mrs Thatcher.

Though not lacking in combativeness, Mr Hurd does not like head-on confrontations. Outwardly austere and slightly stiff, characteristics which bely a much warmer, relaxed and generous nature, Mr Hurd may not be as fierce a political infighter or parliamentary performer as Mrs Thatcher. Yet he is nevertheless an effective and often witty public speaker, a former president of the Cambridge Union, who is able to hold his own in the hottest debates and command respect.

While his economic skills are unproven, it is Mr Hurd's extreme competence in the management of foreign affairs that has singled him out as a candidate for the Tory leadership.

He has provided a steady hand on the tiller during the Gulf crisis. Above all, in Europe, Mr Hurd has been quietly rebuilding the bridges which Mrs Thatcher has destroyed. It is no mean achievement that, at the height of the dispute over the shape of European monetary union, the leaders and foreign ministers of the other European Community countries had nothing but praise for the way Mr Hurd handled the situation.

While he is not a federalist, Mr Hurd is convinced that Britain's future lies in Europe and that diplomatic ways must and can be found for healing the present rift.

If Mr Hurd does not win the leadership, few tears will be shed. The betting is that Mr Hurd will be very willing to continue at the Foreign Office under the new leader, if that opportunity is offered to him.

Robert Mauthner

Battle lines drawn: the candidates in the Conservative leadership race on the campaign trail yesterday. Douglas Hurd, top left, Michael Heseltine, bottom left and John Major, right

Pictures: Alan Harper Ashley Ashwood

JOHN MAJOR:

Open and placatory style would herald change in key

IF MR John Major succeeds Mrs Margaret Thatcher, Britain will have a prime minister who is more concerned with social issues and equality than Mrs Thatcher.

The members of his cabinet would also undergo a novel experience. For Mr Major listens and consults widely before making up his mind.

It would, however, be wrong to regard the 47-year old chancellor as being a soft touch on social issues or a Tory "wet".

He is dry on economic questions, and not afraid of his tight monetary policies causing pain in the interests of reducing inflation. He won his spurs as a tough negotiator during his two-year spell as chief secretary to the Treasury in charge of public expenditure. In recent months, he demonstrated his firmness and diplomatic skills by finally persuading Mrs Thatcher to take the pound into the exchange rate mechanism of the European Monetary System.

As befits a man who has enjoyed a meteoric political career in spite of leaving grammar school at the age of 16 and experiencing unemployment at the age of 19, Mr Major is a firm believer in fairness and equality of opportunity.

Since being catapulted into the chancellorship 13 months ago, he has been quietly developing his views. At the beginning of this year, he said he wanted "individuals to have the opportunities to realise their full potential, irrespective of their class, sex colour or creed". In his view, the British undervalued their attributes.

His belief in helping people to help themselves underlay the reforms in his March Budget. The planned abolition of compositive rate tax from next April, the introduction of tax exempt special savings accounts (tessas) and increased tax breaks on charitable giving were part of a programme to reduce the impediments to individual mobility and choice.

A month ago, he expounded how encouraging savings could build a classless society: "I want people to have that security and those savings, because it increases their mobility between jobs, their mobility physically. That also enables them to do what they most wish to do, which is of course what they are likely to do best."

That emphasis on choice underpins his commitment to Britain's hard Ecu alternative to the Delors committee's programme for a three-stage move towards economic and monetary union in Europe.

Commentators who see Mr Major's support of the complex hard Ecu proposals as his way of placating the outgoing prime minister, underestimate his belief that the British people and parliament must never have a single European currency imposed upon them. But, as a representative of the post-war generation of Tories, he is receptive to closer ties with other members of the EC. He also recognises that younger generations than his own are likely to be still more in favour of European integration.

"I happen to want Europe to develop together," Mr Major said last month. "I happen to think in the long term, it's in our interests to develop together. Not as a rich man's club. But as a development of a wider Europe.

"If you look at youngsters today, they have a different concept. They take their year off maybe when they take their A-levels, before they start university or before they start work. And increasing numbers of them travel round Europe . . . .So Europe is changing and developing. We need it to be open. We need it to be able to develop slowly and wisely."

Mr Major has adopted a steadily higher profile in recent months. But he remains something of an enigma. He does not like to talk about his past and is protective of the privacy of his family.

Although very ambitious, he would deny that he had designs on Number 10 Downing Street. Only last month, he said he would be "perfectly happy to stay (at the Treasury) for 15 or 20 years."

Peter Norman

MICHAEL HESELTINE:

'Tarzan' tag may become a millstone

ONLY ONE of the three Tory leadership candidates boasts a nickname. And some of Mr Michael Heseltine's more passionate fans are arguing that only one can boast a full-blown personality.

So, as the race for Downing Street enters its last, critical few days, the "Tarzan" tag that the former defence secretary has long borne with fortitude has become a curious component in the electoral equation.

Nobody now seems sure whether it will work for or against him.

Around the country the macho and humorous associations of his "king of the jungle" image probably win a good deal more than affection. Good looks, blond locks and muscular do-goodery can hardly hurt the housewife vote.

But on Tuesday it is 372 largely sober-suited MPs that must pass their judgment on the personality of the man to occupy the nation's top job. Some feel a candidate compared in the public mind with a wild man in a loincloth – a candidate whose past includes mace-wielding and shock resignations – need not apply.

Image is playing a crucial part in what is now being dubbed a "beauty contest" election where policy differences are being played down.

Yesterday, all three contenders were promising to review the poll tax, take a positive if resolute line on Europe and to continue to build on the radical Thatcher legacy. They also all claimed that they could unite the party.

Here, Mr Heseltine looks most vulnerable. Ostentatiously under-adopted by Cabinet members, he is suffering from the accusation that it was his opportunistic challenge that brought about the downfall of Britain's "greatest peacetime premier".

Then there are the charges that he is "volatile, unstable and not a safe pair of hands" in a crisis; that, in short, he is not prime ministerial material.

Mr Heseltine's campaign team have attempted to reinterpret those qualities as passionate, energetic and dynamic. They point to his four well-behaved years in the wilderness as evidence of his maturity, and his activist engagement with the grassroots.

Yesterday he promoted that image when asked whether it was true that he aroused fierce emotions. "You know leadership always does have a strong element of that about it," he said. "But as long as leadership delivers, then people find it attractive. We have got a very big task in the Conservative party to win back people who have drifted away from us."

There, in essence, is Mr Heseltine's campaign pitch together with its key words: leadership, strength, attractiveness, the capacity to win back voters.

It is a potent brew, which, seasoned with positive poll returns, is intended to persuade the wavering MPs that the only hope for the general election is that an electorate, accustomed to – if not enamoured of – a powerful prime minister, must continue on a diet of strong meat tempered, of course, by conciliatory one-nation Toryism. To his critics, that is inadequate compensation for a reputation for interventionist tendencies. Mr Heseltine replies that he will reintroduce long-ignored traditions of cabinet government. It is hinted that he would have little difficulty in leaving the bulk of the cabinet – most probably including his two rivals – in their current chairs.

If, his campaign managers imply, their man may need a little more time to heal recent wounds, he does have the most potent curative – the capacity to deliver victory at the polls.

Yesterday the Heseltine campaign emphasised that many supporters of Mrs Thatcher were coming over to the regicide's cause. Some of the prime minister's most ardent advocates were elected in highly marginal constituencies. Now the temptation for many may be to jettison the luxury of ideological baggage and put their trust in Tarzan.

Ivo Dawnay

Solihull looks back with quiet satisfaction

Michael Cassell finds that the past decade has been mostly good for a thriving and comfortable borough

TWO photographs of Mrs Margaret Thatcher grace the offices of the Solihull Conservative Association, spanning the age to which she gave her name. In one, the knitted, striped sweater and frumpish, suburban perm; in the other, the back-combed, bouffant creation radiating majesterial influence and power.

Mr Geoffrey Foster, the association chairman, took time out from receiving messages of commiseration to muse upon whose picture would go up next week: "It might be sensible to keep one of each of them for some time to come."

Next door, in the gentlemen's lavatory of the St John's Hotel, a wall-mounted, brass-framed copy of Wednesday's edition of the Daily Mail spelled out the prime minister's defiant but already-abandoned message: "Battling on!"

In Drucker's patisserie, along Solihull High Street, a group of elderly shoppers nattered about the news just broken. Mrs Winifred Rawlings led the huddled debate: "They should stop the clock on St Alphege Church. She's gone and, by God, we're all going to regret it."

Philip Reynolds, a 17-year old student at the Solihull College of Technology – two years old when Mrs Thatcher grasped her party by the scruff of its neck – reeled back in mock astonishment: "Didn't know anyone else was allowed to be prime minister!"

Solihull, the well-heeled, metropolitan borough wedged between the industrial Midlands and Shakespeare country, is the epitome of Thatcher-town; prosperous, ambitious and dynamic, with good cause to look on the past decade with a degree of self-satisfaction.

The town has always returned a Tory MP. Sir Percy Grieve notched up a tenure long enough to make Mrs Thatcher look like a Maggie-come-lately. Mr John Taylor, the present incumbent – a loyal Thatcherite from the top of his balding pate to the tip of his shiny, solicitor's shoes – holds a historically modest majority of 21,786.

For a time Solihull thought it had won the pools under Mrs Thatcher

Solihull has always been comfortably well-off; for a time it thought it had won the pools under Mrs Thatcher. Along the manicured lanes of Knowle and Hampton-in-Arden, new bungalows go on offer at £495,000. Mothers collect their schoolchildren from independent, fee-paying schools in cars with personalised number plates. "H1 SU" was obviously running late.

The Stratford Road at Monkspath has an air of Sunset Strip about it, with its hypermarkets and garden centres selling everything from kumquats to dovecotes. There is a multi-screen cinema complex and several palladian-style eating palaces, where "car jockeys" handle the tedious business of parking.

Three out of four homes are privately owned, following the sale of more than 4,000 council homes to tenants. There are two, three, four-car households in a town with more BMWs than minibuses. The once sleepy, leafy-laned borough is now split by the M42, the setting for the borough's own nightmare motorway crashes.

Solihull, motto "Urbs in Rure", has mushrooming business parks, high-technology centres, the fastest-growing provincial airport in the country, and the National Exhibition Centre within its borders. Unemployment is low and the borough expects another 25,000 jobs to be created within the next 10 years.

The home of Mrs Mary Whitehouse and the base for her crusade to squeeze out the impurities from the elixir of individual liberty, Solihull has evidence of the Thatcher age scattered clean across it.

The borough has one of the country's first city technology colleges, a highly controversial, educational test-bed which characterises the resigning prime minister's unrepentant radicalism.

In Lode Lane, the Rover plant which threatened to help bleed the exchequer dry during the 1970s is in private hands and highly profitable. Powergen, the soon-to-be-privatised power generator, has its headquarters in the town.

Mr John Scampion, the borough's chief executive, says the local economy has forged ahead, though the boom in service industry jobs has been at the expense of those in manufacturing. Commercial office accommodation will have almost doubled during Mrs Thatcher's years in power, about 1,000 new hotel rooms have been provided and there is, even now, an acute shortage of shopping space.

Solihull's problem, according to Mr Geoffrey Foster at the local Tory headquarters, is one of success. "Everyone wants to come and live here. The demand for housing land to satisfy newcomers is immense; the determination by existing residents to keep Solihull green is equally powerful."

But there is another side to Solihull, as there is to Thatcherism. The town also has what is claimed to be the largest concentration of council housing in Europe in the shape of overspill estates managed, until 1980, by Birmingham City Council. Within it, there are severe social and educational problems.

Mr Harry Topping, visiting his daughter on the Chelmsley Wood Estate, warmly greeted the prime minister's eviction from Downing Street: "Try telling her she's got to move into one of these places. Second thoughts, they're too good for her!"

'We will still vote Conservative. But they have let so many people down'

The borough council claims the biggest council house building programme in the West Midlands. "Big deal," says Mr Nick Stephens, the parliamentary candidate for Meriden, where most of the public housing stock is located. "They have sold off the best homes and the list of people waiting for a home or for a move is higher than 10 years ago."

Mr Stephens says the city technology college has consumed £7.5m of public money, more than Solihull's entire capital programme for next year. The town centre hospital, he points out, has been forced to close its emergency casualty unit at night.

Then there is the poll tax, fixed this year at £389 and likely to go higher in 1991-92. The political arguments are familiar. The wealthy burghers of high-rated Lady Byron Lane and Lovelace Avenue are even better off, while the four-in-a-flat tenants on the Kingshurst Hall council estate are feeling the pain.

Home ownership is not, however, a bed of roses. Mrs Susan Bell and her family bought their dream house in the village of Dorridge three years ago; its value has declined and their mortgage has nearly doubled. "We will still vote Conservative," she said. "But they have let so many people down."

The council itself is angry at its last, "poor" grant settlement and is flexing its muscles for another fight with the Department of the Environment over next year's allocation.

Neither is the ruling Tory group on the council particularly happy. It enjoys a majority of two – the lowest in living memory – and a pending by-election may well reduce it to one. The party's grip on one of the country's two remaining metropolitan boroughs it controls is weak. To lose control would be unthinkable; but then so was the idea of removal vans in Downing Street.

NORTHERN REACTION

Supporters span the political spectrum

MR MICHAEL Heseltine appears to have greater appeal among northern voters than either of his rivals for the Tory leadership.

Stopping people in the street or in shops and asking them produces a remarkable uniformity of view. He has supporters across the political spectrum who say they admire him for challenging Mrs Thatcher, for his achievements in tackling urban problems and for apparent willingness to listen.

Mr Douglas Hurd and Mr John Major are seen here as Mrs Thatcher's men. Many in Liverpool remember Mr Heseltine for his work in the inner cities in the early 1980s and say they admire him, some retain a grudging respect.

These are not the results of a scientific survey, but of random wanderings in Crosby and in Wallasey on Merseyside, the seat of Mrs Lynda Chalker, minister for overseas development, who hung on in the 1987 general election by 279 votes.

None of the northerners addressed yesterday in a straw poll said they would go for Mr Hurd or Mr Major.

Mrs Vanessa Campbell, a sales assistant at the Compleat Cookshop in Liscard shopping centre, Wallasey, said: "I prefer Heseltine. If he gets it, Lynda Chalker will hold Wallasey."

Mr David McDonnell, a payments clerk at National Girobank, said he would have voted Labour if Mrs Thatcher had stayed, "even though I don't think Labour is a good alternative". He said: "I shall be much more tempted to vote Tory if Heseltine is leading the party. He's not a yes-man and stands up for his principles." Mr Major lacked experience.

Mrs Bernadette Donovan, a Blundellsands housewife, said Mr Major had another disadvantage. "Norman Tebbit is pulling his strings."

She said: "I have never voted Tory in my life, but I would vote for Heseltine if he got the leadership, just to help keep Labour out. He is a caring man who understands the north and did things for Merseyside. Hurd and Major are Thatcher's men and we don't want another 10 years of the same."

Mrs Donovan's husband was SDP-Alliance candidate for Crosby in the 1987 general election. Both joined the SDP nearly 10 years ago after leaving the Labour party.

Mr Allan Smith, the shop's manager, said: "Maggie did wonderful things but she couldn't go on for ever. I prefer Heseltine. I think if he got it and called an early election he would have a good chance of winning."

Ian Hamilton Fazey

Fax: 209 465 5483

Philip Coggan

UK NEWS

THE THATCHER RESIGNATION: *The Issues*

HEALTH

Perilous path that leads to NHS reform

MOST BRITISH people's first experience of life is in a National Health Service maternity unit and, for many, a hospital will be their last experience as well.

This is why health is such a potent political issue – it affects the electorate as individuals throughout their lives.

Many voters give up any active interest in education policy when their children leave school, and start showing concern for social security only when they begin drawing their retirement pensions.

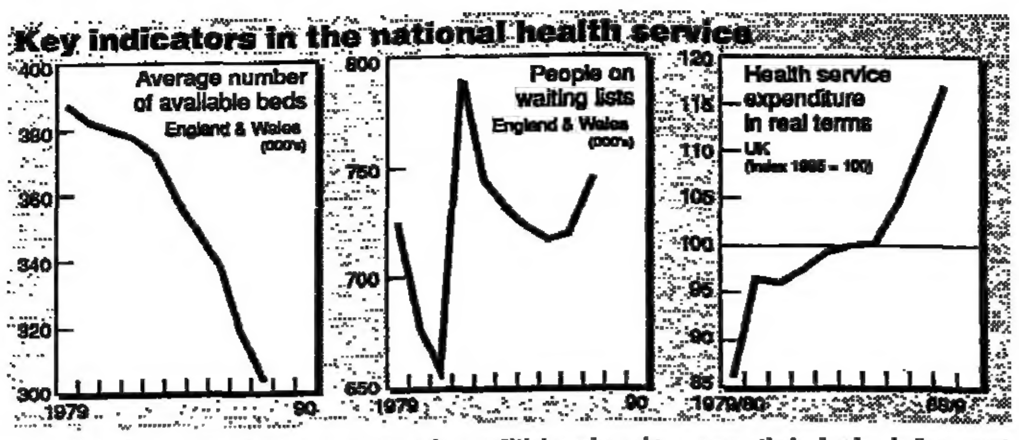
Health, by contrast, is truly a cradle-to-grave service. So politicians tamper with the NHS at their peril. Three years ago Mrs Thatcher, largely by accident, set off down the perilous path. Ever since then the Labour party and some Conservative backbenchers have shared the view that health could lose the government the next general election.

Mrs Thatcher announced a review of the health service in *a television interview* during one of the NHS's periodic funding crises. Next April the fruits of that review – the biggest changes to the NHS since it was established in 1948 – will be introduced.

The prime minister, who oversaw the review personally, will not be in office when the changes take effect. Her health secretary at the time, the pro-free market Mr John Moore, is long gone. He was replaced by Mr Kenneth Clarke, who tried to present the forthcoming changes as both sufficiently radical to break the mould of the old NHS, and comfortingly conservative enough to keep its essential features intact.

Now Mr Clarke has gone as well, and the potentially explosive parcel has been passed to Mr William Waldegrave, who has to make decisions soon about some of the most politically sensitive elements of the reforms – how many hospitals can become self-governing trusts, and how many family doctors will be running their own budgets from next April.

At the centre of the reforms is the idea of separating the financing of health care from its provision within an internal or managed market. So the various elements of the NHS bureaucracy will "trade" with each other, with hospitals entering into contracts to perform operations at rates agreed with health authorities and family doctors. Money will flow to the places which win the most contracts.



The idea has attractions for many NHS managers and the Labour Party would be likely to retain a version of it if returned to power. This does not, however, rule out the possibility of grave problems next April. The changes are taking place at breakneck speed and it has yet to be proved that the NHS has the management time, talent or information systems to cope with them.

It is unlikely that many members of the public are concerned with the finer arguments about the managed market. The crude truth is that doctors have a higher affection rating than *politicians* in opinion polls, and the British Medical Association has run a long campaign against the government's reforms which appears to have attracted sustained public support.

For the past three years the NHS has received some of the most generous financial allocations of any area of government spending, including another £3bn for next year. *But* much of the recent extra money has been eaten away by inflation and the current public impression of the service in not one of growth – hospitals are having to close beds to balance their books before next April's reorganisation and waiting lists for operations are at record levels.

Critics like the BMA say the improved financial allocations of recent years do not make up for the fact that the NHS is structurally underfunded. In relative terms this is true – Britain spends less on health than most other developed nations. Mr Waldegrave's extra £3bn for next year would be closer to £5bn, says the BMA, if Britain spent as much on health care as most of its EC partners.

But in another sense, as the new prime minister will discover, the NHS always will be underfunded, which is what makes health such an unstable political issue.

Demand for health care is virtually infinite and increasingly expensive – people expect higher standards, new treatments become available and the growing proportion of elderly people in the population will push up demand and costs until well into the next century.

Resources, on the other hand, are inevitably limited. In Britain, with its publicly run health service, the gap between potential demand and available resources gets blamed on the government. Between now and the next election critics will focus this blame specifically on the reforms.

Ministers have already tried to minimise the risk of administrative upheaval in April by telling health authorities that, in the first year, the new contracts should simply mirror existing arrangements.

The new prime minister may be inclined to encourage an equally cautious approach towards self-governing hospitals and GP budget-holders, allowing only a small number to lead the way. This would come close to meeting the BMA's long-standing demand for pilot projects before going live with the changes. The new leader may also gain some advantage from not being Mrs Thatcher, who never seemed to convince public opinion of the depth of her commitment to the NHS.

But the missile is speeding towards the target. The NHS, one of the biggest organisations in the world, is only months away from a total structural reorganisation and there is no stopping now.

In the long-term some aspects of the changes are likely to make the service more efficient – just as, it is widely agreed, other management changes carried out by the government during the 1980s did. In the short-term, however, the government runs the risk that every reported shortcoming will be blamed on its reforms.

If all else fails, the new prime minister will find that there is one form of treatment to which the NHS responds quite rapidly – the occasional liberal injection of extra funds. But it was to try to break this habit that Mrs Thatcher came in.

Alan Pike

THE ARTS

Thatcherism has left theatre untouched

THERE are times when the English theatre reminds one of the English football league: too much of it, of variable quality and financially precarious. At least when the *football* results are published, the attendance figures are printed underneath.

Maidstone v Hereford, attendance 1,938, gives some idea that the clubs must have problems with their bank balance. At the theatre, there are no such conventions. Out of embarrassment, critics often omit to say that the play they are reviewing was *attended* by an audience of four.

That suggests that the widely held view that the arts declined under Mrs Margaret Thatcher's premiership is open to question. Something may be wrong, but it is not necessarily an absence of public money.

If you look at the theatre listings closely, you are more likely to be struck by how much is going on. There are new pub theatres in London, like the White Bear in Kennington, which even some professionals have never heard of, and very good they can be. The Gate Theatre in Notting Hill, also in a pub, now puts on some of the most outstanding productions in the capital.

The listings from the regions, too, suggest an active, if impoverished, theatrical life. The fringe companies that flood into the Edinburgh Festival hardly imply that theatre is a dying profession. The problems, if there are any, must lie elsewhere than in the shortcomings of the public purse.

Acting standards are generally high. More often, it is the *quality of the* play that fails – especially new British plays. It is hard to blame that on Mrs Thatcher, since she has so frequently been a source for the material. Now that she has gone, it will be interesting to see who or what is the next bogeyman. It is a tenable view that English playwrights have run out of themes.

The trouble with foreign plays, which sometimes fill the gap, is that English audiences do not always want to see them. It should not be surprising that if the English are suspicious of foreign culture in general, they should be suspicious of foreign theatre. It is equally plausible that if the British economy is in relative decline, the theatre should decline with it. We have not yet reached that stage of degeneration that can produce great art in reaction.

Theatre, like football, has been almost untouched by Thatcherism. On the whole, state funding has gone up, though it has been eroded by inflation. No arts minister, *from the now Lord St John of* Fawsley to the present incumbent, Mr David Mellor, has dared or wanted to cut it. Mr Richard Luce gained some credit for putting it up, till inflation reduced it again.

What they have done is tinker with funding spread too far and too thin. While the arts may proliferate, there are problems at the top. The Royal Opera House is in financial difficulties and the Royal Shakespeare Company, at least temporarily, has ceased to play at its London base.

This requires a choice, perhaps going right up to cabinet level. The way forward may be to put resources into the top houses and let some of the fringe companies sink. There could then be top theatre and amateur theatre, just as there could be a superleague and amateur football. We could then compete at a world level, while enjoying ourselves at home. This approach is elitist; it is the alternative to playing in the fourth division and calling it professional.

Malcolm Rutherford

THE COMMUNITY CHARGE

Reform a priority for all contenders

ONE POLICY change seems certain from the statements of the three contenders for the Conservative party leadership. The community charge, or poll tax, will be reformed in an attempt to make it more politically acceptable.

The charge is regarded by all three as a big electoral liability, as it is primarily the government rather than councils that has taken the blame for high poll tax levels. What remains unclear is how the issue can best be neutralised.

The reform of the rating system, by substituting property-based domestic rates with the community charge on individuals, was pushed through largely by Mrs Thatcher against much opposition.

The basic figures are forbidding. The average poll tax bill in England is £357 after capping, and this is set to rise next year to £380 according to the government. Local authority leaders predict an increase to about £420.

There are two large difficulties obstructing reform. The first is scale, as £1bn additional funding would knock a modest £30 off the average bill. To bring it down to the level of the road fund tax at around £100 would require an extra £10bn of Exchequer finance or of transfer from other budgets.

The other problem is timing. The next election must be held by mid-1992. To make an effective political impact, any reform needs to be implemented quickly. Councils are already drawing up their budgets for next April, which leaves very little time.

Mr Tony Travers, a local government specialist at the London School of Economics, believes that because local government has been so politicised in recent years, and the form of local tax made so visible with obvious gainers and losers, an acceptable alternative could be very difficult to find.

"I certainly don't have a perfect solution," he said yesterday. "It has all become so political that finding a solution is now much harder, and whatever option might be chosen will create problems."

The charge is regarded by all three as a big electoral liability, as it is the government that has taken the blame for high poll tax levels

The common ground held by Mr Heseltine, Mr Hurd and Mr Major is that the poll tax, introduced in England and Wales last April and in Scotland a year earlier, has proved to be a weighty millstone around the government's neck, and unless significant reforms are launched, the Conservative party could be in for a drubbing at the next election.

On details of possible reform, Mr Major has been the most circumspect. He said yesterday that he thought it "probable that more may need to be done", and he would be discussing with colleagues what changes would be necessary.

Mr Hurd was more positive. "We have to make the community charge fairer and more acceptable. This will have to be done quickly," he said. Again, no details, but the indications are of an announcement before the next election, rather than implementation. Mr Hurd has the advantage of having in his camp Mr Chris Patten, the minister responsible for the poll tax as environment secretary.

Mr Heseltine has been the candidate to play the poll tax card the strongest. He has pledged to carry out "an immediate and fundamental" review of the community charge if elected in an effort to attract Tories with marginal seats, particularly in the north, who regard themselves as electorally vulnerable because of the adverse impact of the tax.

A key part of his reforms would probably be the introduction of "banding" under which the poll tax would be related to ability to pay. An amendment to the Local Government Finance Act proposed by Mr Michael Mates, a leading Heseltine supporter, was narrowly defeated in 1988.

Banding continues to have its advocates, but it is regarded with scepticism by many experts. The bureaucracy would be nightmarish, with the Inland Revenue heavily involved in supplying income statistics, and the prospect of big leaps between bands, each one creating its own "poverty trap."

But most attention has focused on Mr Heseltine's sudden conversion to removing education spending from local authorities to Department of Education and Science central control. When environment secretary, he rejected such a proposal as impractical, but has now become convinced it may be necessary to mitigate the effects of the poll tax.

He has been careful to keep his options open, however. He has talked of phasing out the education costs borne by local education authorities over a period, paid for out of economic growth.

The problem here is the timescale inevitably involved. Claims from the Thatcher camp that such a move would mean a rise of 4p in the £ in income tax are strongly rejected.

Whoever wins the battle for the Conservative party leadership, community charge reform will be top of the agenda. But much more homework needs to be done before a potentially winning formula emerges.

Richard Evans

Burning issue: Protesters burn an effigy of the prime minister outside Lambeth Town Hall in south London during a demonstation against the poll tax

MIRAS

Growing cost of relief for homeowners

MORTGAGE INTEREST relief costs the Treasury £8bn a year. Few people, on either the *political left or the right*, can summon up a convincing intellectual case for its retention. But even fewer have the political will to abolish it.

Mrs Thatcher always pledged that mortgage interest relief would be sacrosanct while she was in office. The irony is that the higher the government has pushed interest rates, the greater has become the cost of the relief.

But given the sensitivities of homeowners, politicians are likely to do little other than tinker with relief at the edges.

Mr Denis Healey first introduced an upper limit of £25,000 in 1974. Although the limit has since been *increased to £30,000*, it has been stuck at that level since 1983.

The benefit has thus lost some of its value – £25,000 was more than twice the average 1974 house price, but £30,000 is less that half of today's average. A further change in 1988 abolished multiple interest relief for those buying houses together.

One change which has been frequently mooted is the limitation of relief to cover basic rate tax only. The Labour party has also considered phasing out relief for the higher-paid.

Abolition probably has to await a long period of low interest rates.

But if politicians knew how to achieve that, the problem of mortgage relief would be small beer.

Philip Coggan

UNEMPLOYMENT

Jobless trend one of the most daunting challenges

WHICHEVER OF the three candidates wins the Tory leadership contest, one of the most significant tests he faces will be unemployment.

Although the jobless total was less of an issue in 1987 than in the previous two elections, the rise in unemployment predicted for the immediate future could mean that it came to the fore again in the next 18 months.

In the last election, the unemployment rate, although close to its peak of 11 per cent, was falling. Now it is rising rapidly from a low of 5.6 per cent of the workforce in April and its growth rate is accelerating.

Opinion polls have shown that in the electorate's eyes what matters is not so much the level of employment, but whether it is rising or falling.

What policies or measures does the the government have at its disposal to influence the trends? How successful has the government been in tackling the issue recently?

Amid the gloom of rising unemployment, the government has been able to point to some success in lowering the number of long-term unemployed. The number unemployed for more than a year fell between July and October by 6,000 to 508,000 – the lowest level since the claimant count began in October 1982.

The Department of Employment puts this down partly to the success of schemes like Restart, Jobclubs and the Job Interview Guarantee scheme, all of which it sees as improving advice for the unemployed and the incentive for them to get back to work.

Critics say this is mere tinkering compared to what they feel the government should be doing. This includes increasing rather than reducing the sums available for training, an area in which Britain is generally regarded as lagging behind its competitors.

The scale of skills shortages caused by inadequate training is highlighted by a Confederation of British Industry survey last month showing that in spite of the recession some 15 per cent of employers found the lack of skilled labour to be a factor limiting output.

Central government has invested considerable effort in building up the Employment Training Scheme for adults who have been unemployed for six months or more. However, earlier this month it announced a real cut of about £300m in ET funding.

It also allowed the Training and Enterprise Councils administering the scheme more flexibility in how they use funds allocated to them. Its lever on power for directly influencing adult training is thus weakened.

Of the three candidates only Mr Michael Heseltine has outlined firm views on training and unemployment, although he seems the most likely to adopt a more interventionist approach.

In his book, The Challenge of Europe, he suggests that the government should encourage changes in the tax system to positively encourage companies to train. That is likely to be the closest any of the three candidates will come to the Labour party proposal for a training levy on large companies equivalent to 0.5 per cent of pay.

Mr Heseltine's proposals on how the unemployed should be treated are more of a departure still. In his book he talks of the "waste of resources represented by the number of people unemployed who are paid to do nothing", and questions whether cash should be provided for people who merely turn up every fortnight at local employment offices.

Should he be elected Conservative leader, a policy to force the unemployed into earning their dole money, for example through community service, could prove one of the most controversial issues in the next election.

Michael Smith

EDUCATION

Changes have failed to win hearts and minds

EDUCATION reform has been something of an obsession for Mrs Thatcher. Her radical rewrite of the system, embodied in the 1988 Education Reform Act, has been the most sweeping of any in the post-war period.

As prime minister, she has involved herself personally in the minutiae of education policy, from approving the substance of tests for seven-year-olds to blocking reform of A-level studies.

At the heart of her most contentious reforms has been the philosophy that market forces can be called on to right the wrongs of the current system. While none of the the three candidates for the Tory party leadership is likely to prove as fixated with education reform as Mrs Thatcher, each has roughly commited themselves to continue her free-market policies.

And yet *the Tories under Mrs* Thatcher have decisively failed to win the hearts and minds of those who depend on state-maintained education.

Ironically, it is would-be Tories who feel the pinch most – those working class and lower middle class parents who have bought the Thatcher dream of self-improvement but who are unable to afford the private education for their children that will guarantee upward mobility.

Headline after headline recounts declining standards, crumbling schools and demoralised teachers deserting the service in droves.

The Labour party has pounced upon these failures gleefully, pointing out that education spending as a percentage of GDP has fallen to 4.8 per cent from 5.5 per cent in 1978-79. In real terms, education spending has risen 10 per cent over that period despite a sharp drop in the numbers of children in school.

Instead of garnering votes, education has been catapulted to the top of the political agenda, and the Tories trail Labour by 29 percentage *points on the issue in the latest* Gallup poll, conducted on November 7.

"I think it is the issue which people will make their minds up on at the polls," predicted Sir Rhodes Boyson MP, a former education secretary under Mrs Thatcher and a staunch supporter of some of her most radical reforms.

And despite Tory efforts to point the blame at left-leaning local education authorities, they have been unable to escape the judgment that they have chronically underfunded education for poor people while covertly funding high-quality education for the privileged few.

Mr Straw says that Tory education policies have proved unpopular largely because they succeeded in raising expectations well beyond what government could reasonably deliver. "People heard the sizzling but they never saw the steak," he said. Indeed, the initial response to the reforms, particularly the catchphrase "parental choice", was overwhelmingly positive. However, as the nuts and bolts of the government policy became apparent, the charm *quickly wore off.*

That criticism is heard on the far right as well as on the left. "Overall, the education reforms have failed to deliver," Sir Rhodes said.

Meanwhile Mr John MacGregor, Mrs Thatcher's recently departed education secretary, had been taking great care to warn that reforms could not be expected to produce results overnight – 10 years was a more realistic timeframe, he said.

Furthermore, the government conspicuously refused to fund the reforms to the appropriate level – something the Labour party has also been careful not to promise. "There is a cost of imposing change very quickly upon a service – this is something that *every industry* knows," Mr Straw said.

Meanwhile, the rhetoric of parental choice proved more popular with voters than the practice. Among the centrepieces of the reforms have been City Technology Colleges – high-technology inner-city schools originally intended to be largely funded by industry.

But companies have largely *shunned* the projects, leaving far fewer of the schools in operation than the government had planned and forcing taxpayers to pick up 80 per cent of the capital cost. While Mrs Thatcher has touted such schools as the vanguard of parental choice, they have become instead the hated symbols of privilege for the few and neglect for the rest.

Schools have been allowed to opt out of local authority control, in a process described as a move to increase parental choice by unleashing institutions from councils concerned more with their own survival than with raising standards. But in spite of significant financial incentives to do so, the option has proved singularly unattractive and only 50 schools have opted out so far.

Other reforms such as allowing parents to send their child to any school they wish and tying funding to the numbers of students who attend are also aimed at promoting choice by rewarding popular schools and forcing weak ones to close. However, for parents who feel they have no option but to send their child to the local school, or who now feel able to choose from five mediocre schools rather than one, the concept of choice is of little value.

Norma Cohen

Education: catapulted to the top of the political agenda

Minerals prospector strikes untapped water

Paul Cheeseright examines innovation in an industry for which investment has 'all but dried up'

MR Albert Rockach is a fluorspar miner and limestone quarrier who is up to his eyes in hot and cold water – but he is not drowning.

Rather like the 19th century Texan oil prospectors who came across an oil gusher, he came across a water gusher while quarrying.

The find, which has eluded searchers for a couple of centuries, is the source of Matlock spring water. The problem is knowing what to do with it. Exploitation, to be sure, but by whom, for what and with whose money?

The spring is in the Ball Eye Quarry, above Matlock Bath, itself just south of Matlock, the county town of Derbyshire. But the quarry leads into a complicated network of underground passages and caverns where Roman coins and inscriptions have been found. It is an entry point for warm water pools, the *sine qua non* of a health spa. There are two distinct business possibilities: the marketing of the mineral water which comes from the spring and the establishment of a spa complex.

One thing is certain. There is no shortage of water. The geological structure of the spring has strata of impermeable rock running downwards at an angle of 65 degrees from the surface so that boreholes can be sunk in one place without affecting the level of the water elsewhere.

"We've been able to test the volumes – they're so huge we can pump away with the largest pump we can get and we can't drop the level," claims Mr Rockach.

The mineral water has been tested by Mr Philip Smart, a hydrogeologist at M.J. Carter Associates, environmental consultants of Tamworth, Staffs, who found neither bacteriological contamination nor significant trace elements.

He added that the nitrate level was very low because very little nitrogenous fertiliser had been used by local farmers.

The potential spa waters contain sulphur and, according to Mr Colin Garrett, secretary of the British Spa Federation, just come within the definition, laid down by the Société Internationale de Technique Hydrothermal, of what constitutes a thermal water. The internationally accepted definition is that the water should have a temperature of at least 20 deg C.

Mr Rockach, through his Deepwood Mining company and its offshoot, Matlock Spa and Spring, already has a pilot bottling plant working at the rate of 1,250 litres an hour.

Last month he obtained planning permission for a full-scale plant – costing about £1m – which could have a capacity of 400 litres a minute.

Terry Kirk

Splashing out: new ways of using the water in the Peak District could be on the way

The difficult part of the operation is the sales and distribution in what is a highly competitive market.

Mineral water sales last year, according to industry estimates, were 243m litres. Since the mid-1980s they have been expanding at between 20 per cent and 36 per cent a year. But Matlock would have to compete against such brands as Perrier and Highland Spring.

If the mineral water operation was run in tandem with the development of a spa complex, it could provide a ready cashflow to ease any financing strains. The spa issue, though, raises different problems from the mineral water business.

The Rockach family has been in the mining business for five generations. Deepwood Mining is active and inactive by turns, adapting to the fluctuations of the market for fluorspar, a mineral used in the oil industry.

The company expects to make profits of more than £500,000 in the current financial year to April. So far the Rockach family has spent some £2.5m on the Matlock project.

Deepwood has neither the expertise nor the asset-backing to develop a £100m spa on its own and would need to seek a partner. But while there have been offers, the project will be stillborn without the co-operation of the planners.

The old quarry is on the edge of the Peak District National Park, so it is in a sensitive geographical area, and Derbyshire County Council would have to give its consent for the quarry to change its use.

Preliminary plans for the spa complex, drawn up by Ryder Associates of Derby, include a 250-bedroom luxury hotel and up to 200 chalets.

That will concern Derbyshire Dales District Council which will be worried about the traffic implications in an already difficult area.

But the council might like the idea of a new hotel which would encourage tourists to stop rather than pass through, as they usually do.

A new development would have to create a place in the market. That may be done through the appeal to opulence. "For the spa to be financially viable, it needs to be exclusive," commented Mr Garrett.

There are plans for spa complexes at Bath and Leamington as well as plans to redevelop the old spa hydro at Matlock Bath. Generally, developments have been hampered by high interest rates. "Investment has all but dried up," Mr Garrett said.

Universities in London to see slower growth

By Norma Cohen, Education Correspondent

LONDON-BASED universities will see slower growth in student numbers over the next five years under plans for allocating places being designed by the Universities Funding Council.

Sir Peter Swinnerton-Dyer, the council's chief executive, said the high cost of running London universities, coupled with the growing difficulty in finding accommodation for students, was forcing the council to restrict the pace of growth in the capital.

The UFC last month announced that it had in effect abandoned its complex "bidding" system under which universities compete for funds to teach greater numbers of students.

The bidding system was designed to encourage universities to undercut each other on price in the hope of obtaining a large increase in the number of students.

However, the universities, while requesting an expansion in enrolments of about 19 per cent over the next five years, refused to compete on price. About 93 per cent of bids were made at so-called guide prices, intended to represent the maximum the government would pay for educating any student in a specific field.

Sir Peter, in a letter sent yesterday to university vice-chancellors and principals, said that by late February 1991 institutions would be told the number of funded student places for the 1991-92 academic year.

Sir Peter said the expansion of 19 per cent sought by universities was likely not to be met, with institutions having their plans for expansion of post-graduate instruction in particular curtailed.

● More students are enrolling into further education than ever before despite the falling number of 18-year-olds, according to a report published today by the Schools Inspectorate. Figures show that in England enrolments have increased from 1.606m in 1984-85 to 1.986m in 1989-90 – a rise of 24 per cent.

The report – Aspects of Further Education – says one reason is because colleges have concentrated on vigorous marketing of their courses to a wide range of clients.

NEWS IN BRIEF

Advertising agency to shed 40 jobs

J WALTER THOMPSON yesterday became the latest casualty of the recession in the advertising industry when it made 40 of its 490 employees redundant. The job losses came at the end of a difficult week for WPP, the marketing group which owns the advertising agency.

WPP's shares collapsed on the stock market after the group issued a profits warning on Monday. WPP's banks held a meeting on Thursday to discuss its financial position. The group is burdened by heavy debts after a string of acquisitions in the late 1980s, including the takeover of JWT.

Capital spending

YEARS OF recession have been reinforced by the latest figures from the Central Statistical Office, showing a significant fall in capital expenditure by manufacturing companies.

Business Bulletin. Central Statistical Office, Government Buildings, Cardiff Road, Newport, Gwent NP9 1XG. £2.00.

Pension service

THE OCCUPATIONAL Pensions Board is developing a new service to trace "lost" pensions. The board is seeking details of all pension schemes with two or more members at April 30 next year.

The cost of running the service will be met in part by a levy on pension schemes.

VAT conviction

SAREADVANCE, formerly Ibm Holdings, the oil services company turned retailer, has been fined £30,000 after being convicted at Middlesex Guildhall Crown Court of a £367,000 value added tax fraud.

OFT acts on price

THE OFFICE of Fair Trading has intervened to prevent a surfboard distributor stipulating minimum prices at which its products are to be sold. The OFT took the view that a notice issued by Grange International Sports to its dealers constituted an attempt to enforce a minimum resale price.

Hatton PR company collapses

MR DEREK HATTON, former Labour deputy leader of Liverpool City Council, confirmed yesterday that his public relations company was going into liquidation.

He blamed the collapse on publicity surrounding "Operation Cheetah" - a police investigation into alleged council corruption.

Official receivers have now been called in to wind up his Settleside public relations company, based in Pembroke Place, Liverpool.

Mr Hatton commented: "Liverpool people are used to being put out of work. I'm no different."

Settleside was set up three years ago after he was expelled from the Labour party for his connections with Militant newspaper, and barred from public office by the district auditor for "wilful misconduct" in delaying setting the council's rate.

Mr Hatton was among 22 people arrested by Merseyside police fraud squad on October 28 in an investigation of alleged corruption in Liverpool City Council land deals. All were released on bail until March next year.

Mr Hatton said yesterday: "Even though I was released totally without charge and I have and will continue to say truthfully that I have not done anything illegal or corrupt, the publicity surrounding it has had a severely damaging effect on my business.

"It led to the withdrawal of a number of key clients," Mr Hatton continued.

"I have had no choice but to call in the receivers, who were at my offices this morning to complete the necessary paperwork.

"I am very disappointed. I had built up a flourishing company through hard work.

"But I'll pick myself up. I will find something else to do."

Mr Hatton is still doing a good job of keeping himself in the public eye - he begins a series of television appearances in a pre-Christmas advertising campaign for a watch company later this month, and last week he made an appearance on a chat show.

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Picking up the pieces

THE departure from the scene of so familiar and widely-respected a figure as Mrs Margaret Thatcher has naturally resulted in a sense of shock that is felt everywhere. This will take some time to abate; meanwhile it is possible to take stock of the new situation. The conclusion must be that the resignation of the prime minister has completely altered the political outlook for Britain. Its effect on the economy will depend in part on who emerges as the new Conservative prime minister and in part on whether events seem to be confirming the assumption in the markets that Labour is less likely than it was to win the next election.

For Conservatives, such stock-taking need not be a depressing exercise, although it would have been so a week ago. What might have been observed then was that the party has been in a mess since Mr Nigel Lawson resigned as chancellor of the exchequer in October 1989. The opinion polls have *consistently indicated* that if an election were to have been held at almost any time this year the result would have been a landslide victory for Labour. The poll tax has knocked the stuffing out of support for the Conservatives. Inflation has soared, and the internal squabbles over approaches to the European Community have become increasingly bitter.

Unifying ability

This weekend it is possible to see an end to the mess. All three candidates for the leadership of the party should be able to unite it around a refreshened programme, although the task might prove more awkward for Mr Michael Heseltine than for Mr Douglas Hurd or Mr John Major. There is no reason why the two losers should not serve in the victor's cabinet, whoever the victor may turn out to be. The opinion polls indicate that following Mrs Thatcher's departure Labour's lead may narrow significantly or vanish altogether, to be replaced by a Tory lead; here Mr Heseltine has the pronounced advantage. All three candidates have promised to consider modifications to the poll tax, with Mr Heseltine most positive and Mr Major most circumspect.

As to interest rates, the rapid weakening of the British economy and the recent strength of sterling, despite the downfall of Mrs Thatcher, suggest the need and the opportunity for early cuts. Putting sterling into narrow bands within the exchange rate mechanism might allow larger cuts in base rates, while enhancing the new prime minister's European credentials. Simultaneously, the UK could follow Italy's example of January this year and realign the central rate downwards.

The political desirability of lower base rates is clear. There is a strong correlation between the mortgage rate and the level of support for the Conservatives. But even if a cut in base rate has to be postponed in order to keep sterling within its existing band, the prospects for a reduction in the headline rate of inflation during 1991 are good. That alone should improve the government's standing.

Vexed question

When it comes to the vexed question of the EC proposals for a European central bank and a single currency there is less distance between the three candidates than is generally supposed. The most eloquent exponent of a strong role for Britain in a united Europe is Mr Heseltine; the purveyor of the greatest doubt is Mr Major.

Yet all three are signed up to the hard Ecu plan evolved in the Treasury and propounded by Mr Major. All three speak of the EC as a congeries of nation states, bound by treaty, rather than as an embryonic federation. A united cabinet, leading to a united party, is not an impossible target for any of them. The difficulty will come when the new prime minister sets out to negotiate this essentially British position with the other 11 members of the EC.

In short, while it is true that the Thatcherite wing of the Conservative party has strong doubts about Mr Heseltine, even he should be able to restore a sense of unity and competence. Mr Major, who is becoming increasingly identified with the Thatcherites, would have no difficulty in achieving this. Nor would Mr Hurd, who is well placed to bring the factions together.

The post-Thatcher prospect is not quite so encouraging for the Labour party. It can no longer point to Mrs Thatcher as a focus of disaffection. The factors that have gained it support this year, principally inflation and the poll tax, may be far less potent next year – and there need be no election before the spring or early summer of 1992. Its strong lead has been built on dissatisfaction with the Tories rather than a positive shift towards its own broad and *somewhat diffuse* policies. The performance by its leader, Mr Neil Kinnock, in the House of Commons on Thursday was dismal. Any of the three candidates for leadership of the Tories could easily outmatch him, however grey two of them may seem to be.

Thatcherism is dead whoever replaces Thatcher, says **Philip Stephens**

Tories look for a new language

THE COMPETING CAMPS

HURD | MAJOR | HESELTINE

Chris Patten | Norman Tebbit | Michael Mates

Timothy Raison | Norman Lamont | Peter Walker

Whatever comes next it will not be Thatcherism. The most striking thing about the battle for the Tory party *leadership is how* freely the candidates applaud Mrs Margaret Thatcher's achievements while edging away from her ideology.

The shifts are modulated. Each contender is pitching for the support of different, though overlapping, sections of the Tory party. Their backgrounds, political instincts and current status in the party mean they are operating under different constraints.

Mr John Major, unofficially anointed as the prime minister's chosen successor, has moved quickly and effectively to harness the votes of the right among the party's 372 MPs.

Mr Douglas Hurd, whose platform is that of the elder stateman who can heal the party's self-inflicted wounds and provide a steady nerve during an increasingly likely war in the Gulf, draws his core support from the centre and left.

For his part, Mr Michael Heseltine is attempting, with some success, to build a coalition stretching across the traditional divides among Tory MPs. The left and centre are offered a much more active role by the government in promoting industrial and urban regeneration. The right, a hawkish defence policy and workfare schemes for the able-bodied unemployed. Mr Heseltine, having forced Mrs Thatcher out of the leadership contest with the claim that she could no longer win a general election, has more scope than his opponents to offer a different brand of Conservatism and is making the most of it.

Mr Major and Mr Hurd still serve in her cabinet. They can hardly disavow the policies which they have helped to shape. But they need to offer something different if Mr Heseltine is not to win by *default*.

At their press conferences yesterday there were constant references from the chancellor and foreign secretary to the need to build on past achievements, to develop policies, to tackle the challenges of the future.

It emerged most clearly in their comments about the poll tax. Neither was prepared "to make policy on the hoof", but both recognised that Mr Heseltine's commitment to a radical overhaul was a vote-winner.

On Europe Mr Major sounded close to Mrs Thatcher, emphasising the government's determination not to be pushed into accepting a single currency. But he was bidding for the votes of the anti-federalist right. His friends reminded journalists that he had always indicated his willingness to build on his alternative plan for monetary union.

Mr Hurd also emphasised continuity across the whole range of issues. There was no question of "leaping about" and abandoning the policies of the past. The caveat followed instantly: "Policies have to evolve, of course."

So again with Mr Major. He identified education as a key priority in the government's efforts to restore its electoral fortunes. He would press ahead with the policy of increasing parental choice and devolving financial management.

But there was something else. The key was to restore the status of teachers so that "the best and brightest of youngsters" were attracted to the profession.

He did not say it, but the implication was clear. A Major government would raise standards in the schools *by spending more to improve the pay* of teachers rather than by relying on a further injection of radicalism in the form of vouchers.

What we were seeing, one cabinet minister commented, was an awkward attempt to formulate the language which would provide a transition from the Thatcher era. It will take some time to build up the vocabulary.

And for the next few days the effort will be further obscured by the imperatives of the hustings.

Nobody who wants the votes of a majority of the party's 372 MPs can risk the accusation that he is seeking to destroy Mrs Thatcher's inheritance. They are aware that 202 MPs backed her earlier this week.

The candidates know also that to win they will have to attract votes from across the party: from the knights of the shires still wedded to One-Nation Toryism; from the swathe of centrists whose principal interest is to win elections; from a new generation sitting on razor-thin majorities in the Midlands and the north; from the traditional, establishment, right; and from the representatives of Essex Man.

It is impossible with any certainty to put numbers on the different groups. There are too many overlaps. But in the broadest terms the right, including the 92 Group and the hard-core No Turning Back Group, probably count about 100 firm supporters. On the left the rather looser groupings such as One Nation and the Tory Reform Group might bet on a similar level of support. In between there are something above 150 MPs whose allegiance is there to be won.

So the uncommitted are the most influential, and a decade of Thatcherism has blurred the distinctions even between the established groups. Each of the candidates has some appeal to each of the camps.

Mr Hurd yesterday could claim the support of Mr Michael Fallon, the right-wing education minister. Mr Major's campaign team includes the less-than-Thatcherite Mr David Mellor. Mr Heseltine was picking up support from the likes of Mr Peter Walker, the former Welsh secretary, alongside that of distinctly right-wing MPs in northern constituencies.

Mr Norman Tebbit's endorsement of Mr Major's candidacy ensured he won the instant support of the officers of the 92 Group – the largest single faction on the centre-right. But its lack of cohesion was underlined by Mr Heseltine's claim that he had pledges also from some of its most prominent members.

Amid the shifting sands of the leadership campaign the core of Mrs Thatcher's approach during the 1980s is not being questioned. The old divisions between "wet" and "dry" in the Conservative policy over economic policy no longer exist.

The three leadership contenders acknowledge that it is time to shave off Thatcherism's rougher edges

Mr Hurd is as convinced as Mr Heseltine and Mr Major that the *defeat – or rather firm control – of* inflation is a prerequisite for everything else. The havoc wrought by the surge in inflation over the past two years has ensured that "sound money" is as much a part of the vocabulary of the left as of the right of the party.

If Mr Heseltine wins, his solution will be an independent central bank on German lines. Mr Major would stick with the present policies. Mr Hurd would leave it to Mr Major.

It is hard also to find any difference of approach on the Gulf. His tones are quieter, but Mr Hurd sounds every bit as determined as Mrs Thatcher that President Saddam Hussein has to be ejected by force if necessary from Kuwait. Mr Heseltine, if anything, is more hawkish. Mr Major would agree with Mr Hurd, who would be his first choice as Foreign Secretary.

Nor is there any sign that any of the three would seek to reverse the direction of most of the Thatcher revolution. Freedom, responsibility, choice are firmly established as political first principles.

They would, however, draw the lines differently.

Ironically only Mr Heseltine, labelled an interventionist, might be as enthusiastic as Mrs Thatcher in pushing forward even further the frontiers of privatisation to include, say, British Rail.

There is little enthusiasm for the free-market wheezes – toll roads, tax incentives for private health care, education vouchers – which have been the lifeblood of Mrs Thatcher's Policy Unit.

The single common thread between the three candidates that ensures the *end of political era, is their judgement* that the Thatcher revolution has run its course. It is out of date.

It is time, their manifestos acknowledge, to shave off Thatcherism's rougher edges, to pay more attention to the disadvantaged; to start replacing the conviction politics which Mrs Thatcher embraced with the consensus that she *despised*; to listen as well as lead.

In the 1980s, an intense emphasis on the role of the individual had been essential to break the post-war consensus, to *persuade* people brought up to depend on the *state* that their destiny lay largely in their own hands. The habit of wealth-creation had to be reestablished.

Now the Conservatives are finding they have to switch the emphasis, acknowledging the role of communities, rebuilding social cohesion through an acknowledgement that the state has an important enabling role, and ensuring that those services that the state does provide meet the aspirations of the electorate.

Mr Hurd put it neatly yesterday with his comment that: "Assertion is not the same as persuasion. We must spend more time on persuasion". Mr Major spoke of pragmatism and commonsense. Mr Heseltine focuses on plans to rebuild pride in Britain's industrial heartlands and derelict inner cities.

Each of the three contenders insists he is committed to the present policy of tax-cutting. But none appears to put further reductions in the basic rate too near the top of their priorities.

For *Mr Heseltine* the money would be better spent on building new partnerships between government and industry, on urban regeneration and on education. Despite his left-of-centre label, Mr Hurd is not an instinctive "big spender" but he is appalled by the state of London's transport system, by the dirt and squalor in the inner cities.

Mr Major's manifesto puts more spending on education at the top of the list. For a Treasury minister, his advocacy yesterday of the need for further reductions in the share of national income taken by public spending was less than enthusiastic.

The chancellor insisted that he wanted further reductions in taxation, but the emphasis had to be on helping those on the lower end of the income scale. In his own mind he sometimes favours increases in tax thresholds, sometimes reductions in the basic rate.

Mr Heseltine's manifesto is the most far-reaching and all-embracing. Local government would face another dramatic overhaul; Britain would take the lead in shaking up the institutions of Europe; there would be a bigger role for the state in stimulating research and investment, in rebuilding Britain's manufacturing base.

By contrast, Mr Hurd's pitch is that of careful, *intelligent* captain who would steer the ship out of the storm into calmer waters, a man whose intelligence and cool judgment would be needed in the event of a Gulf war. Social cohesion would return to the top of the Tory agenda.

Curiously, however, it is Mr Major's agenda that does most to illuminate the change of course. He is seen as the inheritor of the Thatcherite mantle and, for the next few days at least, will do his best to encourage that judgement.

But listening to him yesterday as he refused to accept any political labels, it was hard to escape the conclusion that MPs on the right of the party had misjudged him.

His vision was of a Conservative party committed to social mobility, to helping the less affluent and disvantaged. It had a populist, Thatcherite ring to it, but beneath the surface there was the constant thread of "*caring Conservatism*". There was *no hint* of the indifference to the plight of the poor of which the government is often accused.

The contenders for the leadership may not yet have found the language for a new era in Tory politics, but Thatcherism is slipping fast from the vocabulary.

The mood of the markets suggests that the next prime minister will enjoy an economic honeymoon, write **Peter Norman** and **Peter Marsh**

Sanguine sterling is steady as she goes

Is the exchange rate mechanism of the European Monetary System turning out to be the Conservative party's secret weapon?

Not the least of the ironies of Mrs Thatcher's premiership is that full EMS membership, which she spurned for 11½ years, has enabled the Tory government to dump its leader and indulge in fratricidal strife without hardly the whiff of a sterling crisis.

Indeed, the steadiness of the pound in recent days has helped the stock market to rise strongly since her decision to resign. Over the past week, the money markets have speculated with growing intensity that there would be an early cut in interest rates.

The words "golden scenario", banished from the chatter of political and economic pundits as the pound quickly shed its early gains after ERM entry on October 8, have made a comeback. Hopes are mounting that whoever of the three contenders wins next week's leadership contest, he will be able to preside over a period of falling interest rates and inflation leading up to a Conservative victory in the general election that must be held by the middle of 1992.

Financial markets have rarely been so sanguine in the face of political disarray. The pound's present buoyancy is rooted partly in the expectation that any of the three – Mr Michael Heseltine, Mr John Major or Mr Douglas Hurd – would stand a better chance on the hustings than Mrs Thatcher. It also is being sustained by belief that the new leader will have to be a unifying force in the party after the sharp divisions engendered by Mrs Thatcher's rhetoric on European policy.

The words 'golden scenario', banished from political chatter, have made a comeback

But this is insufficient to explain the interest rate speculation that has gripped London's domestic money markets. Expectations of lower base rates, last cut at the time of ERM entry to 14 per cent from 15 per cent, have mounted with evidence that the British economy "fell off a cliff" in August.

Mr Major, the chancellor, has admitted that Britain is probably in recession, although he hopes that it will be shallow and short. The government's Autumn Statement forecast a drop in growth of Gross Domestic Product to just 0.5 per cent next year from 1 per cent this year.

Over the past month, signs of recession have multiplied:

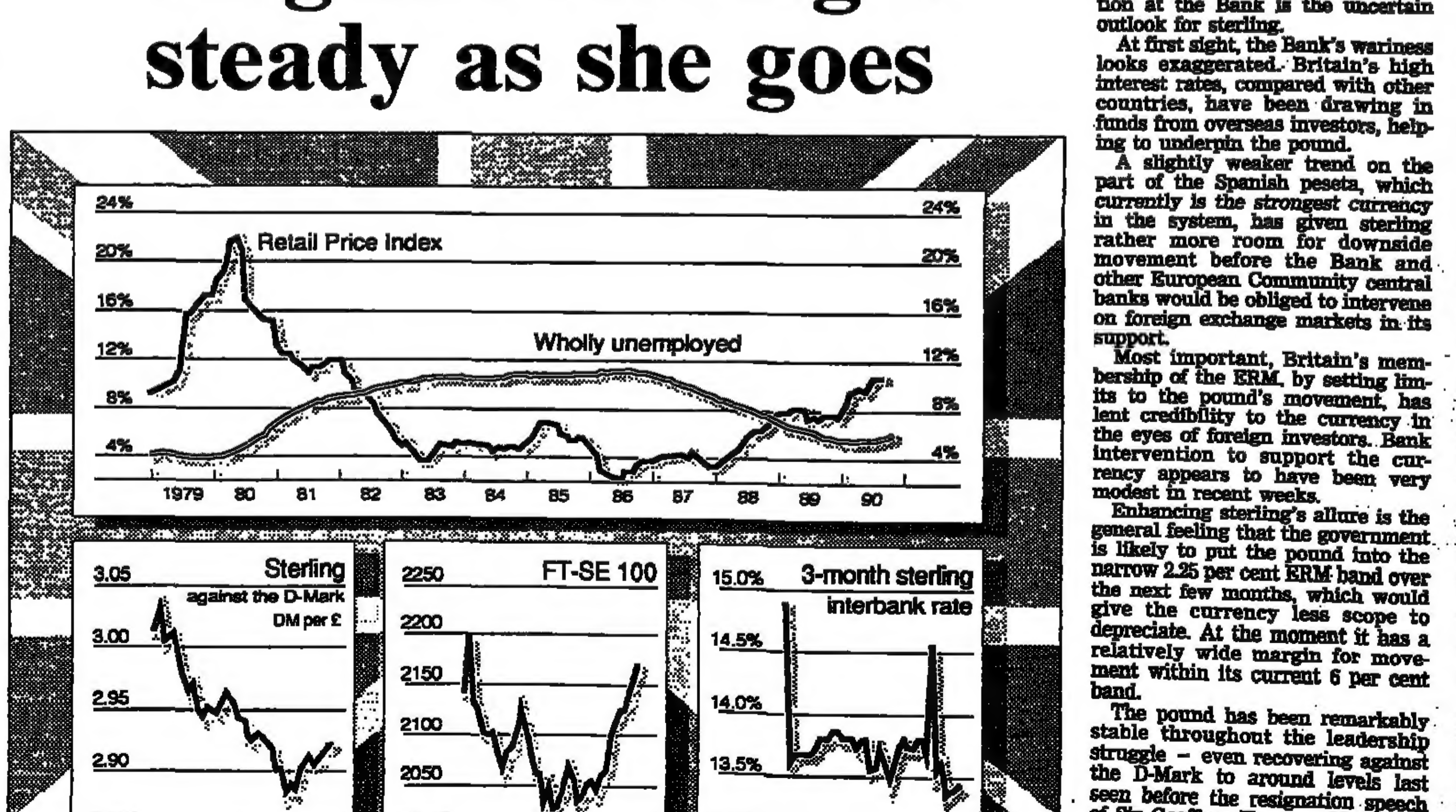
- Confidence among manufacturers is at its lowest level for 10 years, according to the Confederation of British Industry.
- Government figures showed a 3 per cent drop in overall industrial production between the second and third quarters.
- Third-quarter investment fell.
- Retail sales volumes declined nearly 1.1 per cent in October.
- Unemployment last month jumped by 32,200 – three times the previous monthly average – to 1.7m.
- Third-quarter Gross Domestic Product figures pointed to 1 per cent drop in total economic output.

At the same time, hopes have risen that inflation – the key *domestic constraint on easing monetary policy* – has peaked.

The annual rise in retail prices in October was 10.9 per cent, unchanged from September. But this month's mortgage interest rate cuts and lower petrol prices should trim inflation in November. The annual rate should receive an additional downwards push as last autumn's mortgage rate rises drop out of the year-on-year comparison.

Mr Major has forecast that inflation would fall very sharply after next April, when the big jump in community charge payments that accompanied the ending of the domestic rates system drops out of the index. The government has forecast that inflation should be 5.5 per cent by the end of next year. In spite of its recent poor record in forecasting price developments, the markets appear ready to believe it.

This is the economic background to an extraordinary tussle that has been taking place on London's money markets over the past four weeks. Speculators have been regu*larly pushing the key interest rates* at which banks borrow among themselves below the 14 per cent base rate. The three-month interbank rate, which broadly signals what the banks and discount houses think the base rate is likely to be over the next few months, has hovered between 13⅝ per cent and 13⅞ per cent in recent weeks. Last *night it was stubbornly low*, at about 13½ per cent.



The Bank of England has been unhappy about these developments, arguing that the expectations about rate cuts are destabilising and that it is too early to inject cheaper money into the economy. It is concerned about high wage deals, symbolised by the recent 13.4 per cent Ford settlement, which it *sees as* evidence of continuing inflationary pressures in the economy.

It has used a variety of measures, mainly involved with lending to the banking system at penal rates, to push the interbank rate higher. Yesterday the Bank took the unusual measure of insisting that the banking system borrow money from it at the full 14 per cent base rate for a fortnight rather than the more normal one week. This move was described by one market participant as "a big shock – approaching Force 7 on the Richter scale".

The other factor encouraging caution at the Bank is the uncertain outlook for sterling.

At first sight, the Bank's wariness looks exaggerated. Britain's high interest rates, compared with other countries, have been drawing in funds from overseas investors, helping to underpin the pound.

A slightly weaker trend on the part of the Spanish peseta, which *currently is the strongest currency* in the system, has given sterling rather more room for downside movement before the Bank and other European Community central banks would be obliged to intervene on foreign exchange markets in its support.

Most important, Britain's membership of the ERM, by setting limits to the pound's movement, has lent credibility to the currency in the eyes of foreign investors. Bank intervention to support the currency appears to have been very modest in recent weeks.

Enhancing sterling's allure is the general feeling that the government is likely to put the pound into the narrow 2.25 per cent ERM band over the next few months, which would give the currency less scope to depreciate. At the moment it has a relatively wide margin for movement within its current 6 per cent band.

The pound has been remarkably stable throughout the leadership struggle – even recovering against the D-Mark to around levels last seen before the resignation speech of Sir Geoffrey Howe on November 13, which precipitated the Tory party crisis. In spite of a late rally to DM2.9225 yesterday, sterling was still well below the DM2.95 central rate fixed when it entered the ERM.

Moreover, the D-Mark has been fundamentally strong in recent weeks in anticipation of higher German interest rates to finance the constantly growing costs of German unity. The pound could become vulnerable if, as widely expected, the Bundesbank *raises* its lending rates after the German election next month.

Despite these considerations, most City analysts believe an easing in borrowing conditions will take place soon, although there is disagreement over timing.

Mr Roger Bootle, chief UK economist at Greenwell Montagu, the *London* investment house, says the cut of up to 1 percentage point could take place as early as next Friday, after the leadership contest is settled. Mr Peter Spencer, UK economist at Lehman Brothers, the stockbroking firm, says that whoever becomes the next prime minister is likely to be more circumspect. "To cut rates so early would show signs of desperation (about wishing to get the economy on the move). Frankly, the economy is not going to suffer for a wait of a few weeks."

Mr Spencer's favoured timing for a rate-cut would be after December 14, when the government will announce the annual inflation rate for November. This could be as low as 10 per cent, providing almost indisputable evidence that inflationary pressures are being beaten out of the economy.

Among a minority arguing against early rate cuts, Mr Binford Putnam, chief economist of Kleinwort Benson Securities in London, believes that none of the candidates will want to risk weakening sterling or cutting interest rates only to raise them again.

Most City analysts believe an easing in borrowing conditions will take place soon

Mr Heseltine, should he become leader, might consider a snap election early next year. But that decision would hinge on favourable opinion polls rather than an interest rate gamble. A prime minister Major or prime minister Hurd, with Mr Major as chancellor, would probably look to a general election in 1992. They would want sterling to stay strong with the aim of decisively combatting inflation and strengthening the competitiveness of UK industry.

These varying opinions may prove no more than that economists are notoriously incapable of achieving a consensus. But the mood of the financial markets at the end of one of the most extraordinary weeks in British politics suggests that Britain's next prime minister will enjoy at least a brief economic honeymoon.

Unfocused signals surrounding BSkyB

Raymond Snoddy and **Will Dawkins** on the disarray in UK satellite television broadcasting

For sale: two slightly used high-power television satellites owned by Brit- [...] Satellite Broadcasting, now [...]erged with Mr Rupert Mur[do]ch's Sky Television in [BS]kyB. When Mr John Korda, [a] satellite specialist, arrives in [Lo]ndon from Ottawa next [we]ek, this will be one of the [po]ssible options to be dis[cu]ssed with BSkyB.

Mr Korda is a senior man[ag]er for Telesat, the space con[su]ltancy responsible for help[in]g to oversee the construction [an]d launch of BSB's satellites. [Th]e space element was one of [th]e few bits of the grandiose [£1.]3bn project that worked as it [wa]s supposed to. All BSB's [pr]oblems, which ranged from [de]layed microchips for receiv[er]s to ineffective advertising [ca]mpaigns and the presence of [Mr] Murdoch as an unexpected [an]d fleet-footed competitor, [we]re firmly on earth.

The satellite specialist does [no]t know whether he is com[in]g to London to be told the [co]nsultancy contract is at an [en]d, to place a current value [on] the satellites, which cost [ab]out $400m, or to be asked to [tr]y to sell them. Technically, [Mr] Korda explains, it is a rela[tiv]ely easy matter to allow the [sa]tellites to drift in space to a [ne]w orbital position so that [th]ey could be used perhaps to [br]oadcast to Japan or to the [ea]stern or western *seaboards* [of] the US. The satellites are too [na]rrowly focused, however, to [co]ver whole continents.

The uncertainty facing Mr [Ko]rda and his future role is a [sm]all symptom of the much [gr]eater uncertainty still facing [al]most every aspect of BSkyB. Three weeks after the [an]nouncement of the deal that [ab]ruptly ended the intense [co]mpetition between BSB and [Sk]y, the dust has far from set[tle]d and the implications are [st]ill spreading. Broadcasters, [re]gulators, consumer electron[ics] manufacturers and retailers [ar]e trying to assess the conse[qu]ences of the merger for [th]em, although it is increas[in]gly clear who the winners [an]d losers are likely to be.

In the medium term, retail[er]s hope that they will be able [to] benefit from a large new [m]arket for satellite television [on]ce the confusion has been [sw]ept away. But right now [ma]ny are angry as they sit on [pil]es of unsaleable BSB receiv[er]s and Squarials bought in to [ma]tch the satellite company's [pr]e-Christmas marketing push, [an]d can find out very little [ab]out what is going on.

The only communication [mo]st retailers have had was a [fa]xed letter earlier this month [sig]ned by Mr Sam Chisholm, [th]e BSkyB managing director, [in]structing them not to sell [an]y more Squarials and warn- ing that if they did they would not be connected to the satellite. It is a letter that could cost BSkyB – a consortium made up of the former BSB shareholders Granada, Pearson (publisher of the Financial Times) Reed International and Chargeurs as well as Sky Television – many millions.

The Radio, Electrical and Television Retailers Association (Retra) has been advised that the letter amounts to exercising control over the unwanted equipment and could lead to compensation claims. One big retailer, believed to be Comet, the Kingfisher subsidiary, has written to all the former BSB shareholders individually, threatening to issue writs.

"Litigation is a last resort. We hope that commercial and moral pressures will induce them to do the right thing. What we don't want is to damage the prospects for sales of satellite equipment", says Mr Fred Round, Retra chief executive.

Apart from the 120,000 BSB installations, it is estimated that another 200,000 pieces of equipment are somewhere in the pipeline between manufacturers and retailers. Manufacturers of BSB equipment such as Tatung (UK) and Thomson Consumer Electronics say they have been kept in the dark and are taking legal advice.

For the manufacturers the *issue goes much wider than* merely the cost of unsold equipment. The end of BSB meant the victory of the existing Pal television standard used by Sky Television on Astra over D-Mac, the advanced standard that was supposed to pave the way for a European version of high-definition television (HDTV) – wider screens with sharper pictures.

Earlier this year, Mr Ronald Blunden, a senior vice-president of the state-owned Thomson Consumer Electronics, said: "We knock on wood every morning that BSB will be successful. If it goes down the Mac standard will go down."

The rolling up of BSB into Sky could not have come at a worse time for Thomson, which is within months of launching a wide-screen advanced definition television set – a preliminary version of full HDTV. The set, which costs about £3,000, uses a 16-by-9-inch wide screen format that has to be transmitted in D-Mac or a variant D2-Mac to be seen in full quality. The new sets can receive in Pal but the picture has to be squeezed to fit the new format.

Philips of The Netherlands was even more committed to the Mac family. Earlier this year, Mr Peter Groenenboom, a senior director in the company's video products division was predicting confidently that the future direction of satellite television was now clear.

"The Mac transmission system of course", he said. Mr Groenenboom has not been available in recent days to comment on what the demise of BSB and its use of D-Mac means for the future direction of satellite television.

The European Commission in Brussels which enshrined *Mac in a directive as a Community*-wide standard is also refraining from comment. It is understood that the future of the Mac family is being re-examined at the highest level as a result of the merger.

Mr Alan Sugar, chairman of Amstrad Consumer Electronics, is suffering from no such reticence. As the producer of cheap Pal equipment for the Astra satellite market in both the UK and continental Europe, he is clearly one of the few unambiguous winners.

"Until the two stopped beating each other's brains out we didn't have a clear direction", says Mr Sugar, who has already increased his monthly manufacturing order for the UK from 30,000 to 50,000.

At the Independent Broadcasting Authority the picture is still more than a little fuzzy on the implications of the merger. As an interim measure, the authority may allow a variation to the programme schedule *on the way to a fully*-integrated five-channel BSkyB service. It would involve the broadcasting of both BSB and Sky film channels, Sky News plus some of the old BSB Now channel, and other channels.

The IBA has made it equally clear, however, that it intends to terminate BSB's original contract because it was breached by the secret merger talks. But it is still negotiating on how long the merged five-channel service will be broadcast for Squarial owners before moving entirely on to the Astra system following the *launch of a second satellite* early next year.

Hints are also being dropped of a further turning of the screw by the IBA. BSkyB may be happy to give up the IBA-regulated frequencies being used by BSB but to run a service from the UK to a "non-domestic" satellite such as Astra a licence is also required.

One option open to the authority under the new Broadcasting Act would be to judge that the BSB directors responsible for the breach of contract were not "fit and proper persons" to hold a new licence. That could affect Mr Ian Irvine, chairman of BSkyB and deputy chief executive of Reed International, Mr Frank Barlow, chief operating officer of Pearson, and Mr Derek Lewis, managing director of Granada, who are both directors of BSkyB.

If the authority or the Independent Television Commission were to take such a view, the directors could merely be replaced by others not involved in the merger talks. Such a decision would probably be contested in the courts.

The threat against BSkyB is likely to be a negotiating ploy by the regulatory body to help prise the BSB satellites from BSkyB. They could then be used for more specialised broadcasting services such as data transmission, business television or channels for ethnic minorities.

The chances are that a deal will be done. More jobs will go at BSkyB – already 500 have been scapped, most from BSB – and the merged company will go its own way, offering mass entertainment. Accommodations will be reached with manufacturers and retailers who will have a potentially large new market to address. Something, however limited compared with the original ambitions, will be broadcast on the frequencies that were once the object of rivalry between five large consortia.

Anthony Robinson on tomorrow's presidential election in Poland

The Walesa magic loses some of its force

He walked to the podium, grasped it with both hands and began his speech, in Polish, with three simple words – "We the people". There was a brief silence as the first words of the preamble to the American constitution were translated. *Then, the joint session of* the US Congress rose to its feet as one, with a spontaneous roar of delight. Lech Walesa had worked his magic again.

That was in November 1989. Communist regimes were toppling like ninepins. The Berlin wall had just been breached. America was saluting the leader of Solidarity, the personification of the historical coalition between workers, intellectuals and Catholic church which three months earlier gave Poland the first post-war, non-communist government in eastern Europe.

On Sunday Mr Walesa, the man who successfully represented the new Poland to Americans and other admiring foreigners, is hoping that the Polish electorate will confirm that, 12 months later, he is still the charismatic leader to be preferred as president from a list of six contenders.

The list includes the Prime Minister, Mr Tadeusz Mazowiecki, who used to be one of his closest advisers, Mr Stanislaw Tyminski, a previously unknown Polish-Canadian businessmen and three other candidates representing peasants, hard-line anti-communists and a former apparatchik.

But much has changed, both within Poland and without, since those euphoric celebrations just over a year ago. Throughout eastern Europe the inexperienced governments which replaced the former communist regimes face a legacy of bankrupt economies, ecological disasters and a rekindling of anti-semitism and ancient ethnic rivalries.

From the River Oder to the Pacific Ocean the economic prospects for the next two or three years at least will be dominated by rising unemployment, dramatic declines in production, rising inflation and, in many places hunger, if not famine. Millions of people may be forced to leave their homes and cross borders in search of food, jobs and hope. The fledgling democracies of eastern Europe face enormous strains.

It is far from certain that democratic forms of government will survive the strain; desperate populations, long used to authoritarian government, may succumb to the blandishments of demagogues *promising easy solutions.*

Opponents of Mr Walesa, who include other one-time advisers like Adam Michnik, Bronislaw Geremek and Jacek Kuron, fear that could be the fate of Poland if the former electrician and trade union leader is elected. Mr Walesa's well-known admiration for Marshall Pilsudski, the pre-war authoritarian leader, his promise to conduct a witch-hunt against former members of the communist *nomenklatura* still in positions of power and influence, the thinly disguised anti-semitic undertone of his references to "full-blooded Poles" have all been noted. So have his pledges to speed up privatisation of state enterprises by giving every Pole coupons worth 100 million zloties, about $10,000, as their share of the proceeds from the sale of often practically worthless assets, and his promise to freeze foreign debt repayment for 50 years.

Mr Walesa is most unlikely to get anywhere near the 80 per cent vote he originally hoped for

Supporters of Mr Walesa dismiss such hyperbole as mere electioneering hype. They point to his support for Mr Leszek Balcerowicz, the finance minister, and his economic plan as an indicator that, once elected, a President Walesa would act responsibly – but inject a much-needed note of urgency and dynamism into the reform process.

Mr Walesa's bedrock electoral support is expected to come from disgruntled farmers (Poland is still largely a peasant country) and from the industrial working class, especially the miners, steelworkers and production workers whose already miserable conditions in the obsolete factories and polluted industrial towns have dropped even further over the last 10 months of high inflation and controlled wages.

As the campaign progressed, however, it became clear that other candidates, especially Polish-Canadian businessman *Stanislaw Tyminski*, have been making inroads into this reservoir of "protest votes".

It is now most unlikely that Mr Walesa will get anywhere near the 80 per cent vote he originally hoped for. It is even possible that the dogged, cultured but electorally dull prime minister might be pushed into third place. If this happens Poland's reputation as the most sophisticated and experienced democracy in the region could take a serious knock.

Many observers think Mr Walesa will be lucky to get the necessary 50 per cent for victory in the first round of voting. If not, he will have to decide whether to swallow the humiliation and go forward to the second round on December 9, or like Mrs Thatcher, drop out of the contest.

Either way a less than convincing victory for Mr Walesa would undermine his original vision of the presidency as a sort of *deus ex machina*, endowed with the wide powers theoretically enjoyed but not used by the outgoing incumbent, General Wojciech Jaruzelski, and willing to use them liberally to prod the society forward as he saw fit.

The less than resounding victory now in prospect for Mr Walesa would also make it easier for parliament, itself facing new elections in the spring, to redefine the role of the presidency.

Of course, in the secrecy of the voting booths the old Walesa magic may still confound the sceptics. But even if he does become president by a large margin he will not be able to forget that the prospect of an unpredictable president does not appear to inspire much confidence in the powerful Catholic church, or in Poland's western neighbour, Germany. Indeed, earlier this month Bonn subtly boosted Mr Mazowiecki by signing the treaty guaranteeing the Oder-Neisse line as the definite frontier between the two states.

LETTERS

Forget Stansted: Heathrow is the key

[Fr]om A J Lucking.

Sir, Mr Douglas Robertson ("Case for a new Stansted run[w]ay", November 17) should [a]ppreciate that any second [St]ansted runway is at least 10 [ye]ars away, and in the view of [th]e CAA the remoteness of the [sit]e means that it would be lit[tl]e used until about 2005. In the [m]eanwhile, a recent CAA con[su]ltation document has shown [th]at *Heathrow is full now*, [ex]cept at weekends and [be]tween 5 and 6 am.

A US-UK crisis will develop [if] United and American are not [al]lowed in, and the CAA docu[m]ent seems to hint at transfer[rin]g all long-haul flights from Gatwick to Heathrow. The short runway at Gatwick costs intercontinental airlines dearly, and a CAA decision issued last week showed that the average BA passenger "yields" 15 per cent more cash on a parallel route from Heathrow. On scheduled flights, the aircraft are fuller too.

In his autobiography, Sir Adam Thompson assessed the consequential loss of BCAL profit as £20m a year some years ago, which is why Virgin is anxious to move now. Airports connected to central London only by rail serve the local catchment areas and leisure traffic well enough, but not the businessmen who earn the money to pay for our holiday travel.

Thus, Heathrow is uniquely important to British business. The CAA sees domestic connecting services progressively squeezed out to make room for international flights. Regional airport development can help, but the rapid growth of Birmingham and Manchester has resulted in even more traffic from the north west and west Midlands travelling via London. South east businessmen using Heathrow do so 15 times a year; in other regions, they fly only a quarter to a third as much. About 50 per cent of our exports are estimated to originate in the south east.

An emergency plan is needed. Open up Northolt for the displaced domestic services, and business aviation. Engage American consultants to advise how to increase movements at Heathrow – late this summer, aircraft were seen landing with 60- to 70-second separations, versus the declared 37 an hour. (A controller at the CAA Farnborough show mentioned that the previous week all four "stacks" were full, indicating how the runways are a bottleneck, as well as the airspace).

Build a short domestic runway between the M4 and the A4, with Dunkirk style urgency. 1992 means that the Business Battle of Britain is starting now. Without the air transport infrastructure, we shall lose it. Heathrow is the key to victory!

A J Lucking,
20/17 Broad Court, WC2

Railways cannot afford to invest

[Fr]om Mr Roger Ford.

Sir, It is increasingly diffi[cu]lt to reconcile the govern[m]ent's claims of record invest[m]ent levels for British Rail and [Lo]ndon Underground with the [re]ality of the market place.

In the case of British Rail, [th]e projected "over £4bn" for [th]e next three years is dis[to]rted by the £1.2bn in Channel [Tu]nnel-related equipment and [fac]ilities. This does nothing for [th]e financially hard pressed [In]terCity and Provincial busi[ne]sses and little for Network [So]uthEast.

Major projects are being [de]ferred to the second half of [th]e decade. Even worse, invita[ti]ons to tender for projects [wh]ich have survived, continue [to] slide backwards until deliv[er]y within the three year time[sc]ale is physically impossible. [In] parallel, the numbers expected to be ordered diminish.

Similarly with London Underground, where the Department of Transport claims that up to £3bn is to be spent over the next three years.

Already, the financial squeeze is causing the timescale for the modernisation of the Central Line to be extended. The starting date for the planned modernisation of the Northern Line has receded by two years. Smaller projects are suffering equally.

Despite the apparent investment boom, the reality is that financial constraints mean that railways in Britain simply can't afford to invest.

Roger Ford,
technical editor,
Modern Railways,
8 Russellcroft Road,
Welwyn Garden City, Herts.

Pensioners are suffering because of addled policy

[Fr]om Mr Benson Zonena.

Sir, The measure of the pres[en]t government's irrational [po]licy in the matter of British [pe]nsioners resident in the [co]untries of the "old Common[w]ealth" may be illustrated [th]us: "Tomorrow, I, the gov[er]nment, announce that all cit[iz]ens whose names begin with [th]e letters C to Q will no lon[ge]r receive their old age retire[m]ent pensions." You can imag[in]e the consequences.

We, sir, are actually suffer[in]g the consequences of an [ir]rational and preposterous dis[c]rimination of that order. [F]rom 1956 the British govern[m]ent has signed full reciprocal social security agreements with 28 countries which provide indexed pensions for the 40 per cent of expatriate British pensioners living in them. The limited agreements with the old Commonwealth countries, wherein reside the other 60 per cent, do not provide this. Britons still alive in these countries who were on £2 per week 25 years ago are still on that sum!

Bringing justice to the 60 per cent would cost an unaffordable £287 million, we are told. But, as I pointed out to the under-secretary of state for social security this May when presented with this argument, the defence ministry had only the previous week announced it was to cut the defence budget by £1,000m. Clearly a matter of won't rather than can't afford it.

Neither the Conservative nor the Labour party will consent to including rectification of this in their election manifestos. Yet they ask 4m eligible expatriate voters to vote for them. We know their hearts are stone but what has addled their brains?

Benson Zonena,
British Pensioners Association (Canada),
605 Royal York Road, Suite 202,
Toronto, Canada

Beware the figures, they can lie

From Mushtaq Shah & Sushil Wadhwani.

Sir, We were rather intrigued by your item on a possible Christmas rally in the equity market (Lex, November 19). The column argued that "many managers are convinced that November tends to be the best month of the year". We were a bit surprised by this assertion as, traditionally, most academic work suggests that January is the best month for investing in equity markets.

Specifically, an examination of the historical record back to mid-1962 yields the following results:

Month	Mean excess return
November	0.09 per cent
December	1.05 per cent
January	4.18 per cent

On these numbers, there would appear to be little doubt that it is more profitable to invest in January rather than November.

Why, then, do so many managers believe that November is the "best month"?

A part of the answer would be to lie in the following kind of analysis. Suppose that, instead of computing the mean excess return, we instead counted the number of instances when the excess return in a particular month was above its average monthly value (i.e. computed using data on all months). We would then obtain:

Month	Above mean	Below mean
November	19	9
December	15	13
January	19	9

On these numbers it *is* true that excess returns in November are more likely to be above average rather than below average. Moreover, on this measure, November and January are indistinguishable.

Of course, once one takes the actual magnitudes of the returns into account, our earlier analysis indicates that it is more profitable (on average) to invest in January. Since managers should be interested in maximising average returns, the above would suggest that it *is January that should* be regarded as the "best month".

Mushtaq Shah,
Sushil Wadhwani,
London School of Economics & Political Science,
Department of Economics,
Houghton Street, WC2

The stock exchange: quo vadis?

From Sir Bernard de Hoghton.

Sir, The continuing sight of the exchange's building, standing unloved, little used and largely empty since 1986, requires an explanation.

Though it is true the exchange has still not found its niche in the post "big bang" period, for its members the building has continuing value.

Surely, with all the claims of poor intercommunications, duplications and heavy costs, the new regulators – SIB, TSA, Impro, Fimbra and Lautro – could all find a single and unifying nest inside the 24 floors of Throgmorton Street?

Sir Bernard de Hoghton, Bt, DL
Hoghton Tower, Hoghton, nr Preston, Lancs

Fixed terms for PM? We'd need to change the constitution

From Mr P. J. Pace O'Shea.

Sir, While I support Samuel Brittan's proposal in his Economic Viewpoint ("Prime Ministers: a case for fixed terms", November 22) that "a prime minister should normally serve for a fixed number of terms", I think his proposed method of implementing it would be ineffective.

To expect either of the main political parties to build such a limit into their rule book, and even to assume that the other would copy it, is the stuff of dreams. Rules unenforceable at law are worthless.

In any case, the prime minister is responsible to parliament, not to his/her political party, and parliament, having absolute unfettered authority, need not take note of such a rule.

To introduce such a rule and make it enforceable, we need a written constitution.

P.J. Pace O'Shea,
45, Fellows Road, NW3

Waivers to prevent default not requested

WPP cautions banks it might breach covenants

By Stephen Fidler and Alice Rawsthorn

WPP GROUP, the marketing services company which saw its share price collapse this week following a profits warning, has indicated to its bankers that it might breach the covenants on its loan agreements next year.

WPP held a series of meetings with its banks this week to discuss Monday's profits warning and its prospects for 1991. The group, which has heavy debts, is suffering from the downturn in marketing expenditure in the US and UK.

It has also encountered problems at Scali McCabe Sloves, one of its New York advertising agencies, which recently lost its $40m Volvo account.

During the meetings WPP warned the banks that there was a risk of its breaching some of its covenants in 1991. The covenants at risk relate to interest cover – the ratio of debt interest to operating earnings – and the limit the company has agreed on working capital.

However bankers close to the group said that it had not requested waivers for the covenants at this week's meetings. This indicates that no imminent breach is likely.

Waivers from banks are needed when covenants are breached to prevent the loans from going into technical default. When waivers are granted, however, banks often use the opportunity to change the terms of the agreements in their own favour.

WPP has about 60 bank lenders, about 30 of which are part of a $800m (£406m) facility put in place following the acquisition of Ogilvy & Mather, the US advertising agency, in May 1989.

The loan agreements put a floor of 2.5 times on the interest cover allowed to the group and a ceiling of $280m on the funds it can draw for working capital purposes.

After Monday's profits warning, analysts reduced their pre-tax profit forecasts for WPP in 1990 from £110m to £90m and raised estimates for year-end net debt to £315m. This means that its interest cover – at 3.2 times – would be well above the minimum.

However there is concern that, if the marketing slump continues, WPP could experience more serious problems next year.

Mr Neil Blackley, advertising analyst at James Capel in London, has calculated that WPP must make at least £75m in pre-tax profits to remain within the terms of its interest cover and working capital agreements.

WPP's shares plummeted last week from 378p to 138p at the close of trading yesterday. The shares, worth around 660p this time last year, fell sharply on Monday and Tuesday before rallying slightly later in the week and gaining 11p yesterday.

Saatchi preference proposal

By Alice Rawsthorn

SAATCHI & SAATCHI, the troubled advertising group, has finalised plans for the proposed restructuring of its £212m Euroconvertible preference issue.

It has mapped out a framework for the restructuring together with SG Warburg, the London merchant bank which is its lead banker, and Donaldson Lufkin Jenrette, the New York bank.

A circular has been produced outlining details.

Unless Saatchi finds a way of restructuring the Euroconvertible it faces the threat of having to pay £212m in cash to the bondholders when the issue comes up for redemption in July 1993. Saatchi, which is also burdened by heavy debt, issued the Euroconvertible to help finance its ill-fated diversification into management consultancy.

The Saatchi board, led by Mr Robert Louis-Dreyfus and Mr Charles Scott who joined as group chief executive and finance director earlier this year, has been discussing plans for restructuring with its advisers since the summer.

Mr Louis-Dreyfus and Mr Scott have considered a number of options including a debt-for-equity swap with bondholders, changing the terms of the issue and raising capital by introducing an external investor.

The restructuring will almost certainly involve dilution for Saatchi's ordinary shareholders. They have already seen the value of their investment fall sharply over the past year. Saatchi's shares, which peaked at nearly 700p in 1986 and were worth around 300p a year ago, traded at 37p yesterday.

Negotiations over the restructuring have been highly complex partly because Saatchi's finances are already severely strained, and partly because of concern about the impact of the downturn in the US and UK advertising markets on its advertising agencies.

Another problem has been the difficulty of identifying the holders of the Euroconvertible bonds. Saatchi has now identified more than half the bondholders. The biggest single holder is Mr Jacob Rothschild, the London financier. However most of the bonds are held in the US.

Mr Louis-Dreyfus is eager to finalise the restructuring as quickly as possible. Originally he had hoped to delay it until nearer the redemption date. However, the instability of the international advertising industry persuaded him to accelerate the timetable.

He is also concerned about the impact of the uncertainty over the Saatchi group's future on staff morale and client confidence at its advertising agencies.

Nadir associate speaks out

By Richard Donkin and Richard Waters

MR JASON DAVIES, a former business associate of Mr Asil Nadir, has spoken for the first time to the administrators of Polly Peck International in a wide-ranging interview which he has asked to be transcribed and passed on to the Serious Fraud Office.

Mr Davies's activities while a director of South Audley Management, a company acting on behalf of Nadir family interests, have come under scrutiny as part of an official investigation into a suspected share support operation at Polly Peck.

He met two representatives of Touche Ross, joint administrators of the collapsed fruit to electronics conglomerate, on Thursday.

The four-hour interview at the offices of Mr Douglas Hornung, his Swiss solicitor, was recorded on tape and Mr Davies gave permission for the transcript to be passed to the Serious Fraud Office.

Mr Rodney Hylton-Potts, a solicitor representing Mr Davies in the UK, said: "There wasn't a single question he did not answer."

The interview was conducted by a chartered accountant and a barrister who had been sent by Mr Chrisptopher Morris, one of the three appointed administrators, said Mr Hylton-Potts.

Mr Morris was appointed by the court to investigate the possibility of claims against Mr Nadir and his fellow directors, as well as Polly Peck's auditors.

Mr Hylton-Potts said that Thursday's meeting arose from letters he had sent to Touche Ross and the SFO on November 7 in an attempt to arrange a meeting with Mr Davies in Switzerland.

He said: "It was a wide-ranging discussion touching every aspect which seemed relevant, including several of those that have been the subject of press speculation. My impression is that they were very satisfied with the answers."

Asked why his client had not chosen to give the interview in the UK, Mr Hylton-Potts said: "Firstly he hasn't been asked to and secondly he didn't know what his position was. If one reads the newspapers it suggests he might be under some suspicion."

Mr Davies, 27, a former London stockbroker and manager of Nadir Investments, a Swiss-based company, has been continuing to live with his family in the Swiss village of Founex near Geneva, since the SFO raided the South Audley premises on September 19.

According to Mr Hylton-Potts, the SFO had indicated its intention to take up Mr Davies's offer to be interviewed in Switzerland but would first have to undergo the lengthy process of seeking official Swiss permission.

The SFO refused yesterday to comment on the communications or on the latest interview.

New chief executive to take over at Wimpey

By David Owen

SIR CLIFFORD Chetwood is to stand down as chief executive of Wimpey, one of Britain's largest construction groups, to be succeeded by Mr Joe Dwyer, currently managing director of the group's contracting and minerals arms.

Sir Clifford, 62, will remain as executive chairman with responsibility for group policy and strategy for at least two years.

"I cannot go on forever; one has to have a continuing development of management," Sir Clifford said yesterday. He has combined the roles of chairman and chief executive since 1984.

Mr Dwyer, 51, will assume his new responsibilities with the building sector in a recession described by Sir Clifford earlier this year as "the worst I have seen in a lifetime in the industry."

In September, Wimpey reported a 72 per cent decline from £45.2m to £12.6m in interim profits. The fall was due almost entirely to the collapse of the UK housing market.

Joe Dwyer: recent acquisition strategy focused on his areas

Analysts were little surprised by news of the promotion, pointing out that much of the group's recent acquisition strategy had focused on activities in Mr Dwyer's bailiwick.

One emphasised that Mr Dwyer was the youngest of the four second-tier managers reporting to Sir Clifford under the group's former structure and characterised him as "the John Major of Wimpey".

The change comes at a time when issues of corporate governance, including the advisability of divorcing the chairman's and chief executive's roles, are riding high on the public agenda. In June, the Association of British Insurers issued a wide-ranging paper advocating the separation of the two posts, unless individuals were carefully monitored.

Sir Clifford said that he had come under no pressure from institutional investors to relinquish his dual title, but agreed that they were "probably right" to adopt this general stance.

"I think it is not a bad thing to divide the roles," he said. "I have done virtually every job in the company, as such it is possible to combine the two."

According to Wimpey's 1989 annual report, pension funds and insurance companies hold only 33.5 per cent of the group's ordinary shares, which are 34.5 per cent-owned by Grove Charity Management, a family trust.

Younger chief, younger team

James Buxton on Royal Bank of Scotland Group's structural changes

Dr Matthewson (left) and Mr Younger: new breed of bankers

WHEN ROYAL Bank of Scotland Group announced on Thursday that Mr George Younger MP, the former cabinet minister, was to become its chairman, many people may have found the news surprising.

This is not because of the merits or otherwise of Mr Younger, but because they thought he already *was* chairman. The reason for the misapprehension lies in the excessively layered structure of the group which the company simultaneously announced that it was to scrap.

Since June Mr Younger has been chairman of the Royal Bank of Scotland, the clearing bank and the largest subsidiary of the group. But Sir Michael Herries has been the chairman of the group since 1978 and will remain so until January 10 1991.

Along with the appointment of Mr Younger, who was being groomed for the chairmanship since he left the defence ministry in mid-1989, the group said it was making the clearing bank the operating parent of all its subsidiaries, which include financial services, the merchant bank Charterhouse and the US banking operations. It is also gradually to effect a significant but unspecified number of job losses.

Royal Bank, the seventh largest bank in the UK with total assets of £27.4m last year, can claim to be the only truly British bank in that it has branches all over England as well as Scotland, thanks in part to the 1985 merger with Williams & Glyn's. In the past few years it has expanded considerably with acquisitions such as that of Charterhouse, moves in insurance, life assurance, investment management, and its US purchase of Citizens Financial Group of Rhode Island.

In 1988 it formed an alliance cemented by cross-shareholdings with Banco Santander of Spain, which has given it a toehold in Germany, Belgium and Gibraltar, and joint control of a bank in Portugal.

Yet despite hitherto respectable profits growth (the results for the year to September 30 are announced next Thursday) and imaginative expansion without recourse to shareholders, the bank still has a reputation in some quarters for being reactive and unexciting.

Observers make the obvious comparison with Bank of Scotland, its smaller Edinburgh neighbour, and ask why Bank of Scotland's cost/income ratio in 1989 was 52.8 per cent while Royal Bank's was 63.5. Further, they wonder if the discrepancy can be fully explained by Bank of Scotland's much more conservative approach to expansion of its branch network south of the border and other long-term developments, even though Royal's ratio is in line with bigger institutions like Barclays.

Royal admits to a degree of admiration for Bank of Scotland, and says that the decisions it announced this week are designed to reduce its cost ratios. The streamlining will abolish a layer of senior management posts involved in running some of the divisional subsidiaries.

For example, RoyScot Finance, which currently has its own chairman, board, chief executive and subsidiaries, engaged in leasing, factoring and hire purchase, will virtually disappear as an entity: its divisions are being split up among the other divisions of the organisation.

The clearing bank is being split into two parts – branch banking, and corporate and institutional – following a path set by the London-based clearers.

New men are moving up to lead these divisions, and some of the old guard are leaving. Mr Bob Maiden, managing director of the clearing bank, is to retire at the age of 57 after 41 years' service. A new crop aged between 44 and 56 is moving up.

As they take over, they will examine the structure and staffing of the divisions under them and are expected to make cuts in middle management, the area where other banks have been attempting to save costs and improve efficiency. But senior executives are anxious not to pre-empt any decisions they might make and the scale of the job losses involved, though some compulsory redundancies are likely.

The result should be a flatter structure, with the senior executives coming closer to the staff who actually deal with the customers.

Royal sees itself putting in place the management team which will guide it in the 1990s. While the chairmanship is passing to Mr Younger, the chief executive will remain Mr Charles Winter and his deputy Dr George Mathewson.

Dr Mathewson was promoted in June. That move appeared to exclude Mr Victor Blank, chief executive of Charterhouse, one of the most successful of the second tier of London merchant banks. Mr Blank was confirmed in his post in this week's shake-up.

Whereas Mr Winter has spent his entire career with the Royal Bank, Dr Mathewson, 50, joined in 1987 when he resigned as chief executive of the Scottish Development Agency where he had a reputation for taking bold initiatives and making outspoken statements, if not always for smooth administration.

Although he once worked for 3i, he is one of the new breed of bankers who have never passed cash across the counter. He appears the obvious successor to Mr Winter, now 57 and due to retire in 1993.

Holmes & Marchant warning

By Jane Fuller

HOLMES & MARCHANT is the latest once-acquisitive marketing services company to reveal a downturn in pre-tax profit.

The taxable figure for the year to September 30 would be less than the £7m being forecast by analysts, the company warned yesterday. This compares with the £7.7m made in the previous year.

Holmes's share price fell by more than 10 per cent on Thursday, the day Acsis Group, another marketing services concern, warned of a sharp fall in second-half profit. A further decline yesterday prompted Holmes to make its announcement – not long before the market closed. The price closed 22p down at 58p. In January it reached 240p.

The company, which is involved in packaging design, advertising and sales promotion, chalked up £3.64m in the first half of the year, but then trading weakened.

Mr John Holmes, chairman and chief executive, said this showed up particularly in August and September, which were traditionally strong months because clients in the food, drink and cosmetics industry were preparing for the run-up to Christmas. However, things had improved since early October.

Increased interest payments would have a bearing on the reduced pre-tax profit, he said. In September last year, Holmes' net debt was £5.6m and this had risen to £10m by the spring. It was now £10.2m.

The debt increase followed a decision to make earn-out payments in cash rather than shares. A total of £5.7m had been paid out during the year. This year the figure would fall to £1.4m. "We are working our way out of it," Mr Holmes said.

The company had drawn in its horns – no acquisition had been made since last November – and it had avoided US involvement, the undoing of some others in the sector. Virtually all its business was in the UK, he said.

Action taken to cut costs had included shedding 130 of the group's 600 employees through closing production units, such as printing and photographic studios. Graphics work was increasingly being carried out by computer.

Although the results are not due to be released until December 11, the company plans to bring them out earlier.

IBC rights could give banks control

By Andrew Hill

A RESCUE plan for International Business Communications could leave its bankers with nearly 76 per cent of the tip-sheet publisher, which yesterday warned shareholders they would receive no dividends "in the foreseeable future".

IBC intends to raise £25m via a rights issue in an attempt to refinance outstanding loan and working capital facilities of £73m. If the plan is rejected by shareholders, the banks will withdraw their support.

The group intends to issue new shares at 10p each and debentures at half their nominal value of 71p. Shares in the group were suspended at 30p in September pending the refinancing proposals and dealings should restart on Tuesday.

Shareholders will receive three new shares and one debenture for each share held, but IBC warned that investment at this time carried "a significant risk".

Debentures and shares not taken up will be held by seven banks, which will own 75.7 per cent of the company if no shareholders subscribe. The largest shareholders would be Morgan Guaranty Trust Company of New York (18.5 per cent), Hill Samuel (16.5 per cent) and Den Norske and Toronto Dominion with 10.2 per cent each.

Under a new term loan agreement, dividend payments on the ordinary shares will require the banks' approval and the debentures will carry no interest until January 1996.

Wing Tai takes step nearer to gaining 29.9% stake in Vivat

By Jane Fuller

Wing Tai, the Hong Kong listed clothing manufacturer, has come a step nearer acquiring a stake of up to 29.9 per cent in Vivat Holdings, the Lee Cooper jeans and casualwear distributor.

Only 34 per cent of Vivat's 1-for-8 issue of 13.8m shares, to raise £7.3m, had been taken up by Thursday's deadline, leaving Wing Tai in a position to increase its holding through its subsidiary Potter Enterprises Limited (PEL), which is the underwriter.

This is expected to bring PEL's total holding to 21.5 per cent. It has said it intends to increase the stake to 29.9 per cent.

Wing Tai was formed last year through the £27.5m takeover of Polly Peck's Hong Kong garment producer. It has since started to build up branded distribution channels in Europe. Earlier this year it acquired a near 30 per cent holding in Campari International, the UK distributor of [illegible].

Vivat Holdings made a pre-tax profit of £1.08m in the first half of the year, compared with a loss of £1.34m in the comparable period last year.

The aim of the rights issue was to reduce borrowings.

The issue was priced at 55p a share. Yesterday's closing price was 53p.

TRADITIONAL OPTIONS

- First Dealings Nov. 26
- Last Dealings Dec. 14
- Last Declarations Mar. 14
- For settlement Mar. 18

For rate indications see end of London Share Service

Calls in Amstrad, Aviva Pet., CRT and Monument Oil & Gas. Puts in Brent Walker, Granada and Racal Electronics. Put and call in Brent Walker.

LONDON RECENT ISSUES

EQUITIES

Issue Price	Am'nt Paid up	Latest Renunc Date	1990 High	1990 Low	Stock	Closing Price	+ or -	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
155	F.P.	–	160	155	‡Brabant Resources £1	155		–	–	–	–
2	F.P.	–	4½	3	Finfan Group 1p	3½	+¼	–	–	–	–
–	F.P.	–	22	20	‡MMI 1p	22		†1.0	2.4	6.1	8.5
†	F.P.	–	17	8	‡Paramount 2½p	9½		–	–	–	–
†	F.P.	–	53	31	‡Pelican 20p	36		–	–	–	–
§100	F.P.	–	96	71	Smaller Cos. Inv. Tst 50p	71	–4	–	–	–	–
–	F.P.	–	23	18	Do. Warrants	18	–1	–	–	–	–
225	F.P.	–	245	190	‡Standard Platform 10p	190		–	–	–	–
†	F.P.	–	126	109	Unichem 10p	112	+8	R4.5	2.5	5.4	8.4

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc Date	1990 High	1990 Low	Stock	Closing Price £	+ or -
100	F.P.	–	101	63	‡Bluebird Toys 12pc Cv. Uns. Ln. 2005	67xd	+4
4	Nil	29/11	3pm	¼pm	‡Brewmaker Cv. Rd. Prf. 70p	¼pm	
100p	F.P.	28/9	102p	91p	Perkins Foods 8p (Net) Cv Rd Pf	98p	-1
100p	F.P.	–	121p	106p	Reckitt & Colman 9.5pc Cv Bds 2005	119½p	+½
100	F.P.	–	110½	101¼	Tesco Capital 9pc Cev. Cap. Bd 2005	107¼	
100p	F.P.	–	105p	43p	Wyndham Group 9.375pc Cm. Pf	43p	-7

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc Date	1990 High	1990 Low	Stock	Closing Price p	+ or -
11	Nil	–	2pm	¼pm	Cauldon Group 5p	2pm	
285	Nil	21/12	218pm	63pm	Eurotunnel Package	128pm	–5
90	Nil	–	¼pm	¼pm	*Haemocell	¼pm	
2½	Nil	–	¼pm	¼pm	‡Int'l. Media Comms. 1p	¼pm	
280	Nil	–	24pm	13pm	Low (Wm)	14pm	
20	Nil	–	¼pm	¼pm	Norton Group 12.5p	¼pm	
10	Nil	–	¼pm	¼pm	‡Propeller 1p	¼pm	
1	Nil	27/11	¼pm	¼pm	‡Property Trust 1p	¼pm	
100	Nil	–	26pm	9pm	Unichem 10p	11pm	+1

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990-91. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1990. N Dividend and yield based on prospectus or other official estimates for 1989/90. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ψ Issued by tender. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ‡ Unlisted securities market. ° Third Market. ◊ Issued in connection with reorganisation, merger or takeover.

Portrait of an arranged but so far unconsummated marriage

The post-Reagan FTC has put a spanner in the works of the Avdel/Textron merger. **Nikki Tait** reports

CORPORATE marriages can head in many directions, from a happy bedding-down to eventual divorce. But rarely have the bride and groom failed to even talk to each other a full two years after the knot was tied.

That, however, is the bizarre situation which persists for Avdel, the speciality fasteners company based in Welwyn Garden City, following its purchase for $250m in January 1989 by Textron, the large US aerospace and financial services group.

Although Textron has acquired virtually all Avdel's stock – and is paying out more than $20m a year to fund the deal as a result – the US competition authorities, in the form of the Federal Trade Commission, want the deal unwound.

Moreover, while this opposition is outstanding, Textron cannot take Avdel's earnings into its own profit and loss account; place directors on the UK group's board; begin to integrate operations; or even talk business with its would-be partner.

After two years of abortive negotiation, this extraordinary tussle has moved into the courts, and tempers are frayed.

"We're mad about it, the board's mad about it, the fight is on," thundered Mr Bev Dolan, Textron's chairman, to analysts in New York, his Southern drawl giving way to undisguised impatience. "Our position is unchanged," retorted the FTC, more calmly from Washington.

The situation has been complicated from the outset.

Avdel was born out of the old Newman Industries, a quoted mini-conglomerate with a chequered history and remembered mainly for the long legal action waged against it by the Prudential insurance group.

Having trimmed the group back to the fasteners business and changed the name, Avdel attempted to establish itself as a medium-sized manufacturing operation, with steady profits and a good reputation in its own industry.

Its efforts were rudely interrupted by a leveraged bid from Mr Jeffrey Steiner, a US financier bankrolled by Drexel Burnham Lambert. After a fair amount of brinkmanship, Avdel secured Textron as a white knight, and Mr Steiner, who had acquired about 45 per cent of Avdel's shares, exited several millions richer.

In the midst of the bid battle, Textron did not file for clearance under US Hart Scott-Rodino anti-trust legislation.

With hindsight this was unfortunate, although the US group still says that it did not think the filing necessary.

Within a month, the FTC had objected on two grounds: that the deal could substantially reduce competition in the design, production and sale of aerospace blind rivets (those capable of being installed from one side only) and in non-aerospace structural blind rivets.

The former market – worth about $70m and thought by Textron to be the more serious area of objection – sounds arcane. In reality, it matters a lot.

A Boeing 757, for example, is held together by about 1.5m fasteners, although their total cost is only $400,000.

Textron dominates the supply to US manufacturers. It claims about 60 per cent of the market for aerospace rivets generally, and more than 70 per cent for blind rivets. The number of blind rivet suppliers, moreover, has fallen from six to four.

Textron and Avdel aside, the two main competitors are Huck, part of Federal-Mogul, and Allfast.

What makes the FTC's stance puzzling is that, while Textron is a very significant player, Avdel is not. Textron says the UK group's sales in the blind rivet market stand at a paltry $350,000 a year, less than 0.5 per cent of the total.

That, retort the authorities, is irrelevant.

"Even if Textron's figures are correct, they understate Avdel's competitive position," says Mr Ernest Nagata of the FTC. The FTC maintains that an independent Avdel would at least have the potential to become a serious competitor, and that its very attempts to push into the market have been beneficial.

In addition, the FTC also focuses on how difficult blind rivets are to make, and therefore the struggle which any new player would face coming into the industry. Avdel, at least, has the know-how.

On this score, the FTC's trial brief, rather pointedly, makes play of recent problems Textron has had with its own Cherrymax brand – leading it to lose temporarily the government as a customer – and of the FBI raid on one of Textron's licensees for allegedly selling fraudulently certified fasteners.

That, says Textron, is a red herring.

Its own response is that cost is a relatively unimportant factor for aircraft manufacturers which are far more concerned about performance and specifications. Moreover, it suggests that its own products would rarely be replaced by Avdel's.

This is partly for transportation reasons, and partly because they meet different specifications anyway. Textron also notes that, in the UK, where Avdel is an important supplier to domestic customers like British Aerospace, the Office of Fair Trading offered no objections.

Privately, there are some suspicions that broader political factors may have a bearing, too. The FTC as an anti-trust regulator, runs the argument, was largely dormant in the Reagan era and this was the first case queried after President Bush was elected.

Whatever the merits of those arguments, Textron's attempted compromise has fallen on deaf ears.

It made a two-part suggestion – namely that the merged Textron/Avdel group would license certain products, including its basic aerospace blind rivet, to other companies not already in the business. If the licensees failed to meet acceptable standards within two years, Cherry, Textron's fasteners subsidiary, would be put up for sale.

The FTC says that the first idea was turned down because it was "too regulatory", and would involve hefty supervision. And when that was rejected, it claims Textron removed the second option from the table.

So the legal process rolls on. The first hearing, in front of an administrative law judge, is described by Mr Dolan as "a kangaroo court" and he does not expect to win.

But it will still be many months before he learns the outcome; the combined witness lists run to some 80 separate names, thick with customers and competitors.

After that, Textron could appeal to the full FTC, and then could try the Appeal Court itself. Mr Dolan says he will fight to the finish.

As for Avdel, it has been called as witness by both parties, and is naturally cautious about discussing its strange predicament. The most Mr John Marley, chief executive, will concede is that the uncertainty has resulted in "conjecture and diversion" among employees. It would be surprising if customers had not been slightly unsettled too, although Avdel says that profits and sales in the first half of 1990 showed a steady advance on the same period a year earlier.

As for running the business, Mr Marley simply makes investment decisions, financing arrangements and so on, in complete isolation from his legal, but unapproachable merger parter.

Occasionally, perhaps, the irony sinks in: the UK manufacturer, after all, never wanted to be a bride in the first place.

ECONOMIC DIARY

TOMORROW: Polish presidential elections.

MONDAY: CBI monthly trends enquiry (November). Cyclical indicators for the UK economy (October). Meetings of the European Community's social affairs and industry councils in Brussels. Financial Times holds two-day conference called "European business forum - business in central and eastern Europe" in Rome. Mr Carlos Salinas de Gortari, president of Mexico, in talks with Mr George Bush, US president, in Monterrey, Mexico (until November 27). Nato's North Atlantic Assembly meets in London. Egypt hosts meeting of six Mediterannean countries in Cairo to discuss co-operation in the region (until November 27).

TUESDAY: Second round of Conservative Party leadership contest. The European Community's telecommunications council meets in Brussels. US merchandise trade balance of payments (third quarter). Special session of Russian Federation Congress of People's Deputies. Mr Kenneth Clarke, Education secretary, attends annual dinner of the Institute of Directors.

WEDNESDAY: New vehicle registrations (October). US durable goods for October; gross national product (third quarter). The economic/social affairs ministers of the European Community in plenary session in Brussels. Financial Times conference on "Petrochemicals in Europe - the new scenario" in London.

THURSDAY: Family expenditure survey 1989. London sterling certificates of deposit (October). Bill turnover statistics (October). Monetary statistics, including bank and building society balance sheets (October). Sterling commercial paper (October). Energy trends (September). The tourism council of the European Community meets in Brussels. Central American foreign ministers meet in San Salvador to plan a mid-December regional summit. Third ballot in Conservative Party leadership contest. Paisley North and Paisley South by-elections.

FRIDAY: Meeting in Rome of regional group of foreign ministers of Italy, Austria, Yugoslavia, Hungary and Czechoslovakia.

FT-ACTUARIES SHARE INDICES

EQUITY GROUPS & SUB-SECTIONS — Figures in parentheses show number of stocks per section

		Friday November 23 1990						Thu Nov 22	Wed Nov 21	Tue Nov 20	Year ago (approx)	Highs and Lows Index			
		Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%))	Est. P/E Ratio (Net)	xd adj. 1990 to date	Index No.	Index No.	Index No.	Index No.	1990 High	1990 Low	Since Compilation High	Since Compilation Low
1	CAPITAL GOODS (195)	731.17	+2.4	14.66	6.52	8.34	34.18	714.17	717.37	712.74	861.58	960.80 4/1	658.43 24/9	1038.07 16/7/87	50.71 13/12/74
2	Building Materials (26)	997.42	+3.4	14.55	6.13	8.45	41.09	964.19	962.28	961.37	1034.83	1188.21 3/1	812.99 20/9	1381.08 16/7/87	44.27 11/12/74
3	Contracting, Construction (34)	1188.14	+3.2	15.85	6.74	8.19	59.48	1151.79	1149.50	1143.05	1380.29	1621.44 4/1	995.11 24/9	1951.50 16/7/87	71.48 2/12/74
4	Electricals (10)	1921.54	+1.8	14.60	7.01	8.38	99.22	1886.96	1887.05	1886.26	2397.11	2751.15 4/1	1762.48 2/11	3040.80 8/9/89	84.71 25/6/62
5	Electronics (26)	1621.98	+0.5	10.41	5.30	13.08	60.29	1613.12	1626.73	1623.72	1898.11	2044.72 9/1	1486.79 24/9	2308.22 19/5/89	1229.01 8/10/85
6	Engineering-Aerospace (8)	409.53	+1.3	16.37	5.95	7.32	17.27	404.36	415.83	409.38	0.00	502.42 13/6	387.22 8/11	502.42 13/6/90	387.22 8/11/90
7	Engineering-General (47)	363.48	+2.7	15.91	7.04	7.59	18.02	353.88	354.88	353.89	0.00	505.10 15/6	344.45 8/11	505.10 15/6/90	344.45 8/11/90
8	Metals and Metal Forming (8)	398.32	+2.4	23.28	8.58	5.28	24.83	389.08	386.25	383.07	456.99	515.57 4/1	383.07 20/11	596.67 9/10/87	49.65 6/1/75
9	Motors (13)	294.16	+2.8	16.98	8.18	6.86	17.45	286.06	289.25	290.28	353.65	403.90 4/1	260.41 24/9	411.42 13/10/87	19.91 6/1/75
10	Other Industrial Materials (23)	1238.51	+2.7	13.58	6.58	8.51	62.04	1206.23	1212.35	1192.59	1612.98	1774.64 3/1	1103.89 1/11	1881.33 18/8/89	277.55 15/1/81
21	CONSUMER GROUP (177)	1222.58	+1.4	9.98	4.19	12.41	35.49	1205.43	1203.54	1200.74	1250.78	1357.03 3/1	1121.42 24/9	1417.92 4/9/89	61.41 13/12/74
22	Brewers and Distillers (22)	1564.42	+2.6	10.13	3.79	11.96	33.88	1525.00	1531.15	1533.19	1418.63	1650.55 20/7	1369.31 6/3	1650.55 20/7/90	69.47 13/12/74
25	Food Manufacturing (19)	1025.94	+0.9	11.28	4.79	10.94	31.63	1017.28	1012.08	1013.36	1098.30	1184.41 3/1	959.38 24/9	1220.42 4/9/89	59.67 11/12/74
26	Food Retailing (16)	2259.89	-0.1	9.65	3.38	13.51	58.72	2262.40	2266.33	2255.76	2233.52	2617.14 27/7	2188.04 30/4	2722.30 5/9/89	54.25 11/12/74
27	Health and Household (18)	2436.36	+1.3	7.30	3.11	16.25	59.14	2405.68	2393.46	2384.47	2537.90	2795.49 4/1	2166.10 24/8	2795.49 4/1/90	175.38 28/5/80
29	Leisure (31)	1240.66	+1.7	12.28	5.36	9.90	44.64	1219.66	1222.25	1231.51	1556.37	1717.22 9/1	1117.43 24/9	1845.77 8/9/89	54.83 9/1/75
31	Packaging & Paper (12)	508.66	+1.1	12.68	6.85	9.69	23.79	502.57	499.44	497.69	533.15	625.01 17/7	470.91 28/9	739.48 16/7/87	43.46 6/1/75
32	Publishing & Printing (13)	2950.59	+2.0	11.98	6.37	10.48	139.88	2893.35	2893.48	2872.71	3626.52	3853.61 4/1	2764.16 28/9	5070.66 5/10/87	55.08 6/1/75
34	Stores (34)	840.65	+1.5	10.17	4.33	12.78	25.63	828.02	824.18	816.87	769.54	866.32 13/6	690.43 27/4	1160.58 29/7/87	52.63 6/1/75
35	Textiles (12)	426.93	+1.1	13.83	8.31	9.16	26.32	422.45	422.50	418.93	502.10	504.37 4/1	388.59 24/9	914.52 2/10/87	62.66 11/12/74
40	OTHER GROUPS (107)	1010.07	+2.5	12.43	5.69	9.76	33.65	985.37	983.89	977.41	1114.78	1233.52 3/1	932.53 24/9	1233.52 3/1/90	58.63 6/1/75
41	Agencies (15)	941.56	+3.2	11.36	3.58	10.66	23.93	912.16	906.11	924.56	1490.68	1757.73 15/6	898.48 31/10	1795.57 17/7/87	870.35 4/12/87
42	Chemicals (24)	1063.86	+2.2	12.74	6.34	9.26	50.79	1040.98	1031.67	1027.35	1190.09	1335.87 14/6	940.57 24/9	1546.46 5/10/87	71.20 1/12/74
43	Conglomerates (14)	1308.91	+1.6	12.97	7.66	9.26	41.19	1288.03	1295.57	1266.85	1613.58	1722.31 14/6	1200.88 12/11	1819.46 11/6/89	975.19 10/11/87
44	Transport (15)	1862.90	+1.8	13.80	5.48	8.94	72.05	1829.93	1827.68	1815.71	2119.53	2458.00 4/1	1736.14 14/11	2554.69 12/7/89	90.80 29/6/62
46	Telephone Networks (3)	1171.60	+3.3	11.42	4.31	11.39	26.09	1134.11	1135.95	1135.00	1003.57	1290.72 3/1	1017.41 26/9	1290.72 3/1/90	517.92 30/11/84
47	Water (10)	2162.38	+3.4	13.41	6.26	8.45	68.12	2092.08	2054.76	2031.88	0.00	2162.38 23/11	1820.20 1/5	2162.38 23/11/90	1820.20 1/5/90
48	Miscellaneous (26)	1525.35	+2.2	12.28	5.81	9.47	63.59	1492.47	1495.38	1484.10	1851.62	1981.35 3/1	1445.37 24/9	2087.06 11/7/89	60.39 6/7/75
49	INDUSTRIAL GROUP (479)	1038.47	+2.0	11.77	5.17	10.41	35.60	1018.43	1018.20	1013.57	1124.57	1234.94 3/1	950.55 24/9	1273.71 3/9/89	59.01 13/12/74
51	Oil & Gas (21)	2338.12	+1.3	9.57	5.44	13.65	95.39	2309.11	2291.11	2286.04	2232.97	2528.70 3/8	2111.34 30/4	2528.70 3/8/90	87.23 29/5/62
59	500 SHARE INDEX (500)	1145.18	+1.9	11.43	5.21	10.81	40.42	1124.29	1122.73	1118.02	1217.27	1338.65 3/1	1068.52 28/9	1369.88 16/7/87	63.49 13/12/74
61	FINANCIAL GROUP (102)	731.50	+1.9	–	6.52	–	34.02	717.52	716.41	709.74	783.47	869.67 3/1	681.68 24/9	896.67 13/10/87	55.88 13/12/74
62	Banks (9)	782.57	+2.2	20.90	7.36	6.27	42.00	765.41	767.59	761.84	819.98	918.30 2/2	650.43 24/9	918.30 2/2/90	62.44 12/12/74
65	Insurance (Life) (7)	1312.90	+1.0	–	5.85	–	55.82	1299.79	1286.58	1276.49	1315.88	1519.19 29/6	1220.17 1/5	1519.19 29/6/90	44.88 2/1/75
66	Insurance (Composite) (6)	640.66	+2.6	–	6.67	–	32.08	624.36	623.84	609.08	655.12	763.09 2/1	526.46 24/9	768.11 29/12/89	43.96 13/12/74
67	Insurance (Brokers) (8)	976.61	+1.6	7.79	6.59	16.90	48.39	960.99	950.49	948.03	1092.43	1194.74 4/1	757.70 24/9	1399.56 17/7/87	65.86 16/12/74
68	Merchant Banks (7)	351.73	+1.3	3.51	5.81	24.19	14.24	347.27	345.71	345.42	421.70	502.02 8/2	319.38 24/9	547.59 12/10/87	31.21 7/1/75
69	Property (44)	993.80	+1.7	7.45	4.92	17.73	30.55	977.38	976.22	972.20	1144.72	1242.53 4/1	834.72 24/9	1396.87 5/9/89	56.01 20/4/65
70	Other Financial (21)	249.84	+1.5	11.31	7.22	11.35	13.00	246.53	244.43	243.07	311.42	350.59 4/1	233.78 1/10	603.48 16/7/87	33.29 17/12/74
71	Investment Trusts (70)	1011.83	+0.4	–	3.98	–	28.74	1007.40	1004.44	1004.25	1233.02	1323.81 4/1	954.21 28/9	1323.81 4/1/90	71.12 13/12/74
91	Overseas Traders (5)	1203.58	+1.3	11.86	7.67	10.04	70.90	1188.60	1183.81	1178.98	1407.19	1614.04 3/1	1036.92 2/11	1614.04 3/1/90	97.37 6/1/75
99	ALL-SHARE INDEX (677)	1042.54	+1.8	–	5.38	–	38.48	1023.82	1022.31	1017.38	1114.00	1226.83 3/1	962.09 24/9	1238.57 16/7/87	61.92 13/12/74

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Nov 22	Nov 21	Nov 20	Nov 19	Nov 16	Year ago	1990 High	1990 Low	Since Compilation High	Since Compilation Low
FT-SE 100 SHARE INDEX‡	2170.5	+42.6	2172.9	2125.9	2127.9	2126.3	2115.2	2095.9	2068.0	2222.4	2463.7 3/1	1990.2 28/9	2463.7 3/1/90	986.9 23/7/84

FIXED INTEREST

	PRICE INDICES	Fri Nov 23	Day's change %	Thu Nov 22	xd adj. today	xd adj. 1990 to date
	British Government					
1	Up to 5 years	120.17	+0.14	120.01	–	10.71
2	5-15 years	127.04	+0.41	126.51	–	11.95
3	Over 15 years	128.16	+0.55	127.46	–	10.78
4	Irredeemables	143.27	+0.26	142.89	–	13.46
5	All stocks	126.67	+0.33	126.26	–	11.35
	Index-Linked					
6	Up to 5 years	157.72	+0.04	157.66	–	3.04
7	Over 5 years	144.83	+0.34	144.34	–	3.45
8	All stocks	145.68	+0.31	145.22	–	3.42
9	Debentures & Loans	100.50	+0.21	100.28	–	10.99
10	Preference	72.89	-0.14	72.99	–	6.44

	AVERAGE GROSS REDEMPTION YIELDS		Fri Nov 23	Thu Nov 22	Year ago (approx.)	1990 High	1990 Low
	British Government						
1	Low	5 years	9.66	9.73	10.09	12.36 2/5	9.66 23/11
2	Coupons	15 years	10.43	10.46	9.68	11.94 30/4	9.58 2/1
3		25 years	10.47	10.49	9.60	11.05 30/4	9.52 2/1
4	Medium	5 years	10.97	11.00	11.13	13.58 2/5	10.97 23/11
5	Coupons	15 years	10.82	10.89	10.05	12.45 27/4	9.97 2/1
6		25 years	10.73	10.82	9.70	11.98 27/4	9.65 2/1
7	High	5 years	11.09	11.13	11.25	13.67 2/5	11.09 23/11
8	Coupons	15 years	11.03	11.10	10.26	12.76 27/4	10.17 2/1
9		25 years	10.97	11.08	9.84	12.27 27/4	9.78 2/1
10	Irredeemables†		10.67	10.69	9.68	11.83 30/4	9.66 4/1
	Index-Linked						
11	Inflation rate 5%	Up to 5yrs.	3.78	3.76	3.73	5.48 20/7	3.46 5/10
12	Inflation rate 5%	Over 5 yrs.	4.14	4.16	3.69	4.43 17/10	3.60 4/1
13	Inflation rate 10%	Up to 5 yrs.	2.48	2.49	2.85	4.37 9/7	2.32 5/10
14	Inflation rate 10%	Over 5 yrs.	3.95	3.97	3.51	4.23 17/10	3.43 4/1
15	Debs &	5 years	13.35	13.47	12.59	16.70 30/4	13.01 15/1
16	Loans	15 years	12.90	12.94	12.12	14.48 26/4	12.27 12/1
17		25 years	12.56	12.58	12.12	13.89 4/5	11.99 2/1
18	Preference†		12.92	12.90	10.77	13.13 5/10	10.87 2/1

‡Opening Index 2126.1; 9 am 2135.8; 10 am 2147.2; 11 am 2152.5; Noon 2157.7; 1 pm 2158.5; 2 pm 2156.2; 2.30 pm 2154.5; 3 pm 2153.7; 4.10 pm 2172.7; (a) 4.11pm (b) 8.39am

Equity section or group	Base date	Base value	Equity section or group	Base date	Base value	Equity section or group	Base date	Base value
Engineering - Aerospace	29/12/89	486.00	Other Industrial Materials	31/12/80	287.41	Food Retailing	29/12/67	114.13
Engineering - General	29/12/89	486.00	Health/Household Products	30/12/77	261.77	Insurance Brokers	29/12/67	96.67
Water	29/12/89	1960.45	Other Groups	31/12/74	63.75	All Other	10/4/62	100.00
Agencies	31/12/86	1114.07	Overseas Traders	31/12/74	100.00	British Government	31/12/75	100.00
Conglomerates	31/12/86	1114.07	Industrial Group	31/12/70	128.20	Do. Index-linked	30/4/82	100.00
Telephone Networks	30/11/84	517.92	Other Financial	31/12/70	128.06	Debs & Loans	31/12/77	100.00
Electronics	30/12/83	1646.65	Food Manufacturing	29/12/67	114.13	Preference	31/12/77	76.72
						FT-SE 100 Index	30/12/83	1000.00

† Flat yield. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL, price 15p, by post 35p.

LONDON TRADED OPTIONS

A POWERFUL squeeze in UK equities drove the derivative markets higher yesterday as securities houses were forced into the futures market in an attempt to make up for their lack of shares.

The shortage of stock in the cash market has been one of the main factors behind the December FT-SE's 92 point rise this week. December closed 43 points higher at 2,199, just below the high struck after Mrs Margaret Thatcher resigned as prime minister.

Speculation that once a new prime minister takes office, interest rates could be cut, also encouraged the bulls. In the background there was concern that the market was vulnerable to any increase in tension in the Gulf.

But the futures market continues to point to further gains by the underlying index. December's lead over the cash index widened slightly to 27 points, compared with the 15-point fair value premium which brokers say accounts for future dividend payments and the cost of finance.

Turnover in the traded options market was lower as the worries about the Gulf appeared to be discourage investors.

Activity was concentrated in privatised shares, with call selling predominating.

Total turnover was down by almost a third at 20,502 contracts. The FT-SE index traded 5,975 with puts more active. The June 2,000 puts were the busiest.

British Telecom was the most popular stock option, where 1,956 lots changed hands. Turnover was divided between 1,176 calls and 780 puts, with the February 300 calls the busiest. The largest trade involved the selling of 500 February 300 calls and the purchase of 500 May 240 calls.

British Gas was next on the list as 1,402 traded. A seller of 750 December 200 calls boosted turnover. Sears was next on 1,145, followed by GEC on 825.

Option		Calls Jan	Calls Apr	Calls Jul	Puts Jan	Puts Apr	Puts Jul
Alld Lyons (*504)	500	25	40	50	24	30	37
	550	6½	21	–	58	60	–
	600	2½	–	–	100	–	–
ASDA (*128)	120	14	18	23	4	6½	9
	130	8	13	18	8	12	12½
	140	4½	9	12	16	18	19
Brit. Airways (*142)	140	11	17	19	7	13	18
	160	4	10	13	22	24	28
	180	2	5	–	41	42	–
SmKl Beecham A (*597)	500	105	122	135	1½	6	9
	550	63	83	99	7	14	19
	600	28	52	69	24	32	37
Boots (*344)	300	53	63	69	2	3	8
	330	27	41	47	8	12	17
	360	11	22	30	22	26	29
B.P. (*324)	300	42	58	58	2	6½	8
	330	19	38	38	10	16	18
	360	7½	17	25	28	31	36
British Steel (*120)	110	14	19	21	2	3½	6½
	120	6½	12	14½	7	8	11½
	130	3	7½	10	12	13	17
Bass (*1037)	1000	54	92	115	30	44	47
	1050	30	65	87	57	70	75
	1100	13	47	–	96	107	–
C & Wire (*423)	390	45	62	72	9	15	22
	420	25	44	53	20	28	33
	460	9	26	37	47	52	56
Courtaulds (*331)	300	36	50	55	5	9	15
	330	16	30	35	14	20	27
	360	4½	17	–	38	38	–
Com. Union (*502)	460	49	60	69	6	18	21
	500	22	34	47	21	35	39
	550	4	12	–	58	60	–
GKN (*332)	300	44	48	52	6	16	17
	330	18	31	35	13	28	30
	360	9	15	–	32	45	–
Grand Met. (*617)	600	43	57	77	18	32	36
	650	18	34	–	44	59	–
	700	6	18	–	87	96	–
I.C.I. (*917)	850	92	109	128	13	30	37
	900	55	75	93	27	50	60
	950	30	50	–	54	80	–
Kingfisher (*364)	330	43	96	–	1	3½	–
	360	36	72	76	4½	8	13
	390	33	50	56	11	16	18
Ladbroke (*279)	260	30	40	44	6	9	15
	280	17	28	31	14	18	17
	300	7½	18	–	27	30	–
Land Secur (*541)	460	93	107	115	2	5	8
	500	57	74	83	6	11	18
	550	21	41	51	25	30	40
M & S (*242)	220	31	39	44	2½	4½	6
	240	15	26	32	8½	12	14
	260	5	13	21	20	21	25
STC (*317)	280	41	41	41	2	3	3
	300	24½	28	28	4½	6	7
	330	3	3½	4½	21	25	23
Sainsbury (*297)	280	27	39	43	5	7½	11
	300	14	25	31	13	17	20
	330	4½	11	17	36	36	38
Shell Trans. (*451)	420	47	57	65	7	13	16
	460	19	30	42	20	32	35
	500	7	15	25	53	55	60

Option		Calls Jan	Calls Apr	Calls Jul	Puts Jan	Puts Apr	Puts Jul
Storehouse (*126)	120	12	17	20	4½	5½	6
	130	8	13	15	9½	13	14
Trafalgar (*178)	160	27	33	33	8	17	20
	180	17	23	27	22	27	32
Utd. Biscuits (*320)	300	32	40	44	5	11	13
	330	14	21	29	18	25	27
Unilever (*658)	650	39	64	75	22	34	42
	700	18	36	53	50	59	67
Ultramar (*344)	330	29	40	48	9	16	20
	360	14	25	32	26	30	33
Option		**Feb**	**May**	**Aug**	**Feb**	**May**	**Aug**
Brit Aero (*537)	500	65	75	85	15	25	26
	550	34	45	60	31	45	48
BAA (*405)	390	35	53	58	16	22	27
	420	21	36	–	32	37	–
BAT Inds (*577)	550	50	67	82	14	26	33
	600	24	40	55	40	52	57
BTR (*331)	300	38	41	54	6	14	17
	330	20	25	33	18	27	30
Brit. Telecom (*295)	280	23	35	40	9	12	15
	300	13	24	–	18	21	–
Cadbury Sch (*332)	330	24	31	40	15	23	25
	360	11	19	–	34	40	–
Guinness (*753)	750	50	68	88	30	42	48
	800	28	45	–	60	67	–
GEC (*195)	180	22	28	30	5½	7½	11
	200	10½	18	17	14	17	20
Hanson (*198)	180	19½	25	27	5	7½	10
	200	7½	14	16½	15	16½	19
LASMO (*421)	420	33	47	60	20	27	33
	460	17	30	40	45	50	54
Lucas Inds (*134)	130	16	17	24	10	15	16
	140	9	14	19	16	20	21
P. & O. (*523)	500	52	63	74	20	37	40
	550	26	37	–	47	65	–
Pilkington (*160)	160	10	18	19	11	15	18
	180	5	11	–	26	28	–
Prudential (*206)	200	20	22	28	7½	12	13
	220	8½	12	17	19	24	26
Racal (*194)	180	25	33	37	9	11	15
	200	14	22	25	19	20	24
R.T.Z. (*457)	420	57	64	75	10	20	25
	460	29	39	50	25	37	40
Scot. & New (*362)	360	23	35	42	19	24	30
	390	10	23	28	40	42	45
Tesco (*230)	220	25	29	35	5½	8	11
	240	10½	17	23	14	18	20
Thames Water (*256)	240	24	31	36	7½	11	16
	260	12	20	25	17	20	26
Water Wrldg Pig (*£2340)	2200	360	–	–	70	–	–
	2400	220	–	–	80	–	–
Option		**Jan**			**Jan**		
Ferranti (*17)	20	2	–	–	5	–	–
	25	½	–	–	9	–	–
Option		**Dec**	**Feb**	**Apr**	**Dec**	**Feb**	**Apr**
Fisons (*372)	360	20	33	39	6	12	15
	390	6	17	23	23	27	30
Option		**Dec**	**Mar**	**Jun**	**Dec**	**Mar**	**Jun**
Abbey Nat. (*228)	220	9	22	26	4	10	12
	240	1½	10	13	16	21	22

Option		Calls Dec	Calls Mar	Calls Jun	Puts Dec	Puts Mar	Puts Jun
Amstrad (*67)	60	8½	12	15½	2	4	7
	70	2½	7	9	7	10	12
Barclays (*387)	360	–	50	55	–	17	25
	390	–	32	39	–	35	40
Blue Circle (*228)	220	15	27	33	6	11	17
	240	5½	17	22	17	22	28
British Gas (*242)	220	24	31	39	1½	5	7
	240	9	18	25	7	11	13
Dixons (*158)	140	22	26	31	1	5	8
	160	7	14	19	8	13	16
Glaxo (*803)	800	27	65	85	21	35	45
	850	7	38	–	52	62	–
Hawker Sidd. (*433)	420	27	47	53	12	20	37
	460	6	25	32	33	43	55
Hillsdown (*265)	260	13	27	32	7	13	18
	280	4	16	21	19	23	28
Lonrho (*214)	200	18	23	29	3	12	14
	218	7	–	–	12	–	–
Midland Bk (*201)	200	10	20	24	10	20	24
	220	2	9	15	27	29	36
Reuters (*665)	650	48	81	105	27	60	73
	700	25	60	83	58	88	100
R. Royce (*165)	160	10½	18	20	5	10	13
	180	2½	9	12½	17	19	23
Sears (*92)	90	5	11½	13	3	7	9
	100	1½	5	–	9	12	–
THF (*270)	260	15	29	34	6	10	16
	280	5	17	23	16	20	26
Thorn EMI (*659)	650	22	49	67	22	32	40
	700	4½	25	–	60	61	–
TSB (*140)	140	5	8	13	7	12	16
	160	1	1	–	24	25	–
Vaal Reefs (*$62)	60	7	11	14	4	8	10
	70	3	7	11	11	14	16
Wellcome (*394)	390	19	40	55	13	22	27
	420	6½	25	40	32	36	40

EURO FT-SE INDEX (*2173)

	1925	1975	2025	2075	2125	2175	2225	2275
CALLS								
Nov	250	200	150	100	55	23	5	–
Dec	279	231	178	135	98	66	37	22
Jan	290	–	198	–	125	–	70	–
Mar	315	–	235	–	167	–	110	–
Jun	357	–	285	–	220	–	162	–
Sep	398	–	333	–	270	–	214	–
PUTS								
Nov	1	1½	3	6	12	28	60	–
Dec	9	11	13	17	29	46	70	105
Jan	14	–	25	–	33	–	55	–
Mar	28	–	45	–	73	–	120	–
Jun	45	–	55	–	85	–	128	–
Sep	55	–	77	–	100	–	141	–

FT-SE INDEX (*2173)

	1900	1950	2000	2050	2100	2150	2200	2250
CALLS								
Nov	280	231	180	130	83	39	13	3
Dec	305	258	210	167	124	86	56	32
Jan	317	272	230	188	138	117	86	63
Feb	332	285	247	208	172	140	110	85
Jun †	332	–	305	–	236	–	168	–
PUTS								
Nov	1½	2	2½	3	7	15	40	82
Dec	8	10	14	20	27	41	64	96
Jan	13	18	23	33	45	62	83	113
Feb	20	24	33	40	55	72	95	125
Jun †	37	–	57	–	88	–	127	–

November 23 Total Contracts 20,502
Calls 12,629 Puts 7,873
FT-SE Index Calls 2,632 Puts 3,343
Euro FT-SE Calls 592 Puts 418
*Underlying security price. † Long dated expiry mths

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Commerzbank to increase dividend after strong year

By Katharine Campbell in Frankfurt

STRONG earnings growth this year, after last year's dull performance, will warrant an increase in dividend, probably from DM9 to DM10 a share, Commerzbank said yesterday.

The bank, the third largest in Germany, reported a 15 per cent increase in group operating profit for the first 10 months of 1990 while partial operating profits climbed 18 per cent to DM1.1bn ($748m).

Commerzbank expects to achieve its best year to date, after 1986, at partial operating profit level – catching up with Deutsche and Dresdner Bank which both reported a record year and increased dividends in 1989. Half-way through the year, Commerzbank had reported strong growth, among other things arising from booming equity business. Commerzbank is the first of the big three German banks to report at this stage of the season.

"So far, we have steered a steady course through rough water," Mr Walter Seipp, chief executive noted yesterday.

Walter Seipp: 'Steady course in rough water'

Both interest and fee income progressed well, particularly at parent company level where partial operating profits grew 23.6 per cent (after 28 per cent at the half). Interest income grew 12.1 per cent as credit business climbed 13.8 per cent to DM74.2bn, despite the falling dollar.

Buoyant underwriting earnings helped keep up fee income growth (for the first time topping DM1bn at the parent). In addition, despite the fall-off in securities commissions from thinner equity markets since August, the vast sums of government debt issued in the course of unification have produced handsome earnings for the banks. At the same time, the associated higher interest rates would leave current write-downs on securities at around DM300m, Commerzbank said.

In east Germany, Commerzbank says it was surprised at how quickly business has developed. To date it has won 90,000 retail customers, with an additional 3,400 commercial clients. Going it alone in the east, in contrast to the joint ventures forged by the two bigger banks, has left it with lower investments; DM150m rising to DM225m or more next year.

SAAB warns over warplane

By John Burton in Stockholm

MR Georg Karnsund, the president of Swedish vehicle and aerospace group Saab-Scania, warned yesterday that the country's JAS combat aircraft programme was in danger of collapsing unless the government places the main order next year.

At a press conference called after the government's decision to postpone an order for 110 JAS jets until at least 1992, Mr Karnsund said the project's subcontractors could not afford to wait through production delays caused by the order postponement.

The end of the JAS project could eventually lead to shutdown of most of the country's aerospace sector, added Mr Karnsund.

He denied that his bleak assessment was an attempt to blackmail the government into making concessions in the increasingly acrimonious negotiations about the JAS order, Sweden's biggest military project with a total value of SKr54bn ($9.8bn) at current prices.

The government accuses the JAS consortium of failing to achieve promised technical and performance standards due to a lack of resources devoted to the project. The JAS consortium wants a higher price for the aircraft to recover losses during the development phase.

The JAS consortium said it has stepped up work to compensate for delays caused by the crash of the JAS prototype in February 1989.

The need for more tests and development demanded by the government before it places an order has been anticipated in the budget, according to IG JAS officials. But they will be carried out at an accelerated pace which could affect profits in the short term as costs are immediately set against income among the JAS partners. They include Volvo and Ericsson.

Sandvik profits dip to SKr2.1bn

By Robert Taylor in Stockholm

SANDVIK, the Swedish speciality steel and carbide group, reported a dip in profits (after financial items) for the first nine months of 1990 to SKr2.1bn ($388m) from SKr2.14 for the same period of 1989. Turnover fell by 1 per cent to SKr13.64bn with an 11 per cent drop in both North and Latin America and a 4 per cent improvement in Europe.

It expected profits for the whole of 1990 to be "somewhat lower" than last year's SKr2.87bn due in part to the Gulf crisis. It added it was taking a 25 per cent stake in the Tamrock division of the Finnish industrial group Tampella.

Michelin cuts production to meet declining demand

By William Dawkins in Paris

MICHELIN, the world's largest tyre group, is planning substantial temporary production cuts to slim stocks in line with declining demand.

The group has told staff it plans to cut output of its French factories by half for the third week of December, and by up to 90 per cent in the final week. Michelin said last month it would make a bigger than expected net loss of FFr2.3bn ($464.6m) this year, down from the previous year's FFr2.56bn net profit. It wanted to reduce stocks from 35 per cent of annual turnover to 25 per cent falling to 20 per cent.

Staff have been warned there may be temporary lay-offs, drawing criticism from unions already smarting from last June's announcement of 2,260 job losses, or 4.6 per cent of the workforce. The decline in demand has hit Michelin as it is trying to digest the $1.5bn takeover of the debt-laden US tyre maker, Uniroyal Goodrich, made in September last year.

The moderate CFDT union said it "condemned the global ambitions of Michelin, which is making its workers pay for its choice". Union officials say Michelin's truck tyre sales have fallen 16.6 per cent in the first 10 months of the year and car tyre sales by 3.8 per cent.

Ferruzzis deny family split over Gardini

By John Wyles in Rome

THE Ferruzzi group was busy denying yesterday that Mr Raul Gardini's apparent decision to cut his links with business in Italy signified any breach with fellow members of the Ferruzzi family.

Mr Gardini surprised both the Italian political and business worlds on Thursday by resigning from the presidency of Ferruzzi Finanziaria, the Ferruzzi group's main holding company, and from the executive of Confindustria, the main organisation of Italian industrialists.

Mr Gardini explanation that his reasons were "ideological" was meant to convey a strong protest born of his belief that the government had forced him into selling Montedison's 40 per cent stake in the Enimont chemicals joint venture to ENI, the state energy group.

He had wanted to buy ENI's 40 per cent of Enimont instead – but free of conditions which he claimed would have limited management's freedom to manage.

Rumours in the Italian press yesterday that Mr Gardini's desire to spend L2,805bn ($2.5bn) to buy out ENI had been overruled by the Ferruzzi family were strongly denied by Ferruzzi spokesmen yesterday. But they did confirm that the family was surprised at his resignation from the group presidency.

The family discussion took place at the board meeting on Thursday of Serafino Ferruzzi Srl, the family vehicle for controlling the Ferruzzi group. Mr Gardini is married to Idina Ferruzzi, one of the daughters of the founder of the group, Serafino, who selected him for top management before his death in 1979.

Mr Gardini holds 23 per cent of the family holding while another two packets of 23 per cent belong to Alessandra and Franca Ferruzzi. Some 31 per cent belongs to Serafino's eldest offspring, son Arturo.

With 70 per cent of the group's L16,000bn turnover earned outside Italy, there is plenty of scope for Mr Gardini to follow the inclination attributed to him by his company's spokesmen, which is to dedicate himself to Ferruzzi's international businesses.

It is thought he might become active in Beghin-Say, Ferruzzi's large L8,000bn a year agribusiness quoted on the French stock exchange.

Mr Franco Piga, the Minister for State Shareholdings, repeated yesterday that no public money would be directly involved in financing ENI's purchase nor its subsequent public offer for the 20 per cent of Enimont in third party hands.

Cerus sells equity stake for FFr540m

By George Graham in Paris

CERUS, the troubled French holding company controlled by Mr Carlo De Benedetti, has raised FFr540m ($109m) of cash through the sale of one of its big equity holdings to Clinvest, the investment arm of the Crédit Lyonnais bank.

The company will receive some FFr540m, or FFr425 a share, from the sale of 19.7 per cent of Arnault et Associés, a listed company close to the top of the holding companies through which Mr Bernard Arnault controls LVMH, the drinks and luxury goods conglomerate.

Clinvest, which already owned 8.1 per cent of Arnault et Associés, also bought a further 1.5 per cent in the market, taking its holding to 29.3 per cent. The Arnault family controls 60 per cent of Arnault et Associés, whose principal asset is a 40 per cent stake in Financière Agache.

Agache in turn, via BSF Industries, Christian Dior and Jacques Rober, controls 44 per cent of LVMH.

Although Cerus will record a book loss on the stake, French stockbrokers welcomed the announcement as a badly needed infusion of cash into the debt-laden company.

Cerus's share price has plunged farther and faster than that of any other company on the French stock exchange this year, weighed by declines in the share prices of its big holdings and by its heavy debts.

Yesterday, its shares rose at the opening in response to news of the Arnault disposal, but then weakened to close 2.5 per cent lower at FFr135, a drop of 70 per cent so far this year.

The debts are for the most part the legacy of Cerus's failed bid in 1988 to win control of Société Générale de Belgique, the sprawling Belgian industrial conglomerate.

After its defeat in a stock market battle by Suez, the French investment group, Cerus was left with 15.4 per cent of La Générale. This was reduced in September to 9.96 per cent through the sale of 1 per cent to Deutsche Bank and an exchange with Suez, but Cerus still had FFr4.5bn of debt, now reduced through the Arnault sale to around FFr4bn.

Mr Alain Minc, Cerus' vice chairman, has said that all the company's portfolio is for sale, with the exception of its strategic holdings: 34.4 per cent of Valeo, the motor parts company, Banque Duménil-Leblé, controlled via Société Financière de Genève, and 5 per cent in Suez.

Besides the remaining La Générale shares, this means that Cerus's 14.8 per cent stake in Yves Saint Laurent, the couture and perfumes company, is also on the auction block. Both YSL and La Générale are currently trading at significantly less than their value in Cerus's books, but Paris stockbrokers believe the most urgent priority for Cerus is to reduce debt, not to wait for a better price.

"We shouldn't haggle about the price. The only thing that counts is that cash should arrive in one form or another," commented Mr Philippe de Cholet, of brokers Cholet Dupont.

Westpac to fight pensions writ

By Kevin Brown in Sydney

WESTPAC Banking Corporation yesterday said it would fight a writ claiming it illegally boosted profits by transferring A$300m (US$234m) from its employee superannuation fund.

After paying tax, the transfer allowed Westpac to declare net profits down 14 per cent for the year ended June, 1990, at A$684m. Without the transfer, profits would have fallen 40 per cent.

The Australian Bank Employees Union claims the trustees of the fund breached their fiduciary duties to members when they agreed to a request from the Westpac board to transfer the funds.

The union is seeking to have an alteration to the fund's trust deed declared null and void, and to have the A$300m returned to the fund, together with interest.

Westpac said the bank and the trustees had acted on legal and actuarial advice. The bank's action was "both legally and ethically correct, and the claim will be defended vigorously", it said.

An examination of the superannuation fund by an independent actuary had confirmed that the fund was in surplus by around A$1bn, and was substantially overfunded. Following recommendations made by the actuary, the trustees and the bank determined that A$300m of the surplus should be used to improve members' benefits, and A$300 should be transferred to profits, the bank said.

"One of the consequences of this decision is that thousands of retired officers will receive increased pensions. Furthermore, the staff contribution rate has been reduced," the bank said.

"The superannuation fund is a defined benefit fund. In the unlikely circumstances that the fund moved to a deficit, then the bank is obliged to see that the fund is actuarially sound, and any shortfall corrected."

Nokia sells joint venture stake

By Our Financial Staff

NOKIA, the Finnish electronics and industrial group, is to sell its half share in a tissue paper joint venture, JA/Mont-Nokia, for $150m.

The other partners in JA/Mont-Nokia, each with 25 per cent, are James River of the US and Montedison of Italy.

The stake is being sold to JA/Mont, another joint venture formed by the three companies, in which Nokia has a 20 per cent shareholding. Nokia said that when it was decided to form the alliance it was acknowledged that tissue was not a Nokia core business. Nokia has not had operational control of JA/Mont-Nokia since the beginning of this year.

"We see that we can utilise that amount of money in a better way somewhere else," the company said. Nokia made it clear earlier this year that it reserved the right to withdraw from the joint venture within three years. Nokia formed JA/Mont-Nokia with James River and Montedison in 1989. Nokia also acquired 20 per cent of another venture which included other James River and Montedison tissue operations.

It is expected that the disposal will be completed by January next year.

SAS leisure arm in Italian tourism deal

By Robert Taylor in Stockholm

THE loss-making leisure division of Scandinavian Airlines System (SAS) has acquired a third of Italy's second largest tourist organiser, Aviatour.

"The deal is a natural step in our global strategy. With a saturated home market it is important to take part in the rapidly growing market of southern Europe," it said. The companies said they hoped to achieve higher profits with an increase in charter holidays to eastern Europe and south-east Asia. Aviatour had a turnover of SKr1.2bn ($216.9m) last year and handled 250,000 holidays.

In its first-half results SAS recorded a SKr63m loss in its leisure activities, down from a SKr101m deficit in the same 1989 period. But the airline said the tour operating activities were doing well to offset losses on its hotels and air charter business. Earlier this year SAS's leisure division bought a stake in Spain's largest tourist organisers Club de Vacaciones and the Finnish tourist company Toivelomat.

ATR warns de Havilland of shake-up

By Bernard Simon in Toronto

THE European commuter aircraft consortium Avions de Transport Regional (ATR) has warned painful adjustments will be needed at de Havilland if negotiations to buy the Canadian aircraft maker from Boeing are successful.

Mr Michel Troubetzkoy, president of Aerospatiale Canada whose French parent is a partner with Italy's Aeritalia in ATR, said de Havilland is in "deep trouble", and any deal will require co-operation of trade unions as well as financial support from the federal and Ontario provincial governments. The acquisition of de Havilland would make ATR the world's biggest commuter aircraft manufacturer. The company, best known for the Twin Otter and Tiger Moth, is currently concentrating on its Dash 8 twin-engined aircraft. It has delivered 231 Dash 8s and has orders for another 110.

Boeing bought de Havilland from the Canadian government in 1986 for C$95m (US$81.8m), and has invested several hundred million dollars in de Havilland's plant in Toronto. However, it has received a large settlement from Ottawa to cover unexpected defects.

Boeing and ATR signed a letter of intent last July, and the European consortium conducted its due diligence examination in September. Mr Troubetzkoy said the examination revealed further difficulties. Boeing hopes to complete the sale by the end of the year. The Canadian Auto Workers union has urged the government to take an equity stake in the company again, or to force a buyer to maintain jobs.

WORLD COMMODITIES PRICES

WEEKLY PRICE CHANGES	Latest prices	Change on week	Year ago	High 1990	Low 1990
Gold per troy oz.	$384.25	+7.75	$416.25	$420.25	$345.75
Silver Per troy oz	210.60p	-0.60	376.15p	323.50p	206.70p
Aluminium 99.7% (cash)	$1556.0	-29.5	$1708.5	$2227.5	$1380.0
Copper Grade A (cash)	£1305	-29	£1589.5	£1747.5	£1304.5
Lead(cash)	£345	-22	£421.0	£790	£345
Nickel (cash)	$8075.0	-762.5	$9600	$11375	$8075
Zinc SHG (cash)	$1297.5	+5.0	$1360	$1680	$1250
Tin (cash)	$6095	-105	$6780	$7020	$5785
Cocoa Futures (Mar)	£747	+2	£653	£967	£622
Coffee Futures (Jan)	£582	+17	£682	£757	£548
Sugar (LDP Raw)	$260.0	-4.40	$369.0	$388.4	$241.7
Barley Futures (Jan)	£117.05	+0.95	£113.5	£119.10	£103.45
Wheat Futures (Mar)	£123.70		£117.2	£123.70	£111.00
Cotton Outlook A Index	82.65c	+0.05	81.25c	82.70c	73.70c
Wool (64s Super)	404p	+6	580p	580p	398p
Oil (Brent Blend)	*$30.625y*	*+1.700*	*$18.525*	*$39.175*	*$15.575*

Per tonne unless otherwise stated. †Unquoted. p-pence/kg. c-cents lb. y-January

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$26.50-6.65v	+.575
Brent Blend (dated)	$32.10-2.20	+0.75
Brent Blend (January)	$30.55-0.70	+.825
W.T.I. (1 pm est)	$31.23-1.27v	
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$310-316	+19
Gas Oil	$306-308	+8
Heavy Fuel Oil	$138-140	+4
Naphtha	$298-302	+2
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$384.25	+4.00
Silver (per troy oz)♣	416c	+1
Platinum (per troy oz)	$432.75	+11.5
Palladium (per troy oz)	$94.00	+0.85
Aluminium (free market)	$1545	-45
Copper (US Producer)	124.0c	+1.5
Lead (US Producer)	50c	
Nickel (free market)	369c	-21
Tin (Kuala Lumpur market)	15.91r	-0.11
Tin (New York)	287c	
Zinc (US Prime Western)	70c	
Cattle (live weight)†	104.82p	+0.75*
Sheep (dead weight)†	142.16p	+2.35*
Pigs (live weight)†	70.28p	-3.17*
London daily sugar (raw)	$260.0w	+3.00
London daily sugar (white)	$311.0w	+5.00
Tate and Lyle export price	£240.5	+2.00
Barley (English feed)	£116	+2
Maize (US No. 3 yellow)	£162.5	
Wheat (US Dark Northern)	£81u	
Rubber (Dec)♥	50.75p	
Rubber (Jan)♥	51.00p	
Rubber (KL RSS No 1 Dec)	244.5m	
Coconut oil (Philippines)§	$350q	+5
Palm Oil (Malaysian)§	$350.0u	+10.0
Copra (Philippines)§	$255t	+5
Soyabeans (US)	£134	+1
Cotton "A" Index	82.65c	
Wooltops (64s Super)	404p	+6

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Nov/Dec. t-Feb. u-Dec v-Jan. w-Dec/Jan z-Feb/Mar. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Mar	224.80	222.80	225.00 222.00
May	225.20	223.60	225.00 223.40
Aug	226.00	225.00	226.00 223.60
Oct	226.00	225.00	225.00 223.60
White	**Close**	**Previous**	**High/Low**
Mar	308.0	306.0	309.0 306.0
May	308.0	306.0	307.5 306.0
Aug	311.5	309.0	311.0 308.0
Oct	293.5	292.0	
Dec	290.0	288.5	
Mar	290.5	290.0	

Turnover: Raw1882 (583) lots of 50 tonnes. White 262 (814)
Paris- White (FFr per tonne): Mar 1546, May 1554, Aug 1583, Oct 1492.

CRUDE OIL – IPE $/barrel

	Latest	Previous	High/Low
Jan	31.10	29.99	31.20 30.12
Feb	29.65	28.87	29.70 29.10
Mar	28.45	27.62	28.45 28.00
Apr	27.00		27.00
IPE Index	29.58	28.87	

Turnover: 10986 (6103)

GAS OIL – IPE $/tonne

	Latest	Previous	High/Low
Dec	288.75	283.50	289.75 286.50
Jan	276.00	270.75	276.50 273.00
Feb	260.00	255.25	261.00 259.75
Mar	242.25	239.50	246.00 242.00
Apr	229.25	226.00	235.00 229.25
May	227.00	222.75	227.00

Turnover 9387 (5685) lots of 100 tonnes

SPICES
Pepper market remained extremely quiet, reports Man-producton. Ample supply of spot and afloat white pepper, resulting in asking prices of US$1,500/$1,550 a tonne , it is likely that the downtrend may continue. In spite of the record high export figure of Indonesian white pepper this year there is still a large quantity of unsold white pepper available. The demand for black pepper has certainly been better but prices did not recover. However spot stocks remained rather limited and still commanded some premium over forward positions. Black pepper asta standard is offered on the spot at $1,700 – well above white.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Dec	699	701	701 694
Mar	747	752	751 743
May	773	777	776 769
Jul	795	801	797 793
Sep	814	821	816 812
Dec	836	844	841 834
Mar	861	867	865 859

Turnover: 4819 (3577) lots of 10 tonnes
ICCO Indicator prices (SDRs per tonne). Daily price for Nov 22 996.01 (980.52) 10 day average for Nov 23 932.14 (919.77)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low
Nov	570	578	575 567
Jan	582	583	586 578
Mar	564	565	570 562
May	566	569	574 566
Jul	583	584	585 582
Sep	600	599	600

Turnover:1525 (1250) lots of 5 tonnes
ICO Indicator prices (US cents per pound) for Nov 22: Comp. daily (69.28). 15 day average (65.75)

POTATOES – BFE £/tonne

	Close	Previous	High/Low
Feb	92.0	94.0	92.0
Apr	148.5	147.5	147.0 146.0
May	165.9		165.0

Turnover 50 (19) lots of 40 tonnes.

SOYAMEAL – BFE £/tonne

	Close	Previous	High/Low
Apr	117.50	119.00	117.50
Jun	119.00		119.00 118.50
Aug	119.50		119.50 119.00

Turnover 155 (35) lots of 20 tonnes.

FREIGHT FUTURES – BFE $10/index point

	Close	Previous	High/Low
Nov	1320	1332	1320
Dec	1329	1325	1320
Jan	1291	1291	1300 1291
Apr	1248	1252	1255 1250
BFI	1312	1310	

Turnover 70 (219)

GRAINS – BFE £/tonne

Wheat	Close	Previous	High/Low
Jan	120.05	120.05	120.35 120.05
Mar	123.70	123.75	124.10 123.65
May	127.05	127.05	127.40 127.05
Jun	128.45	128.60	128.50 128.45
Nov	112.00		112.00
Barley	**Close**	**Previous**	**High/Low**
Nov	114.10	114.00	114.00
Jan	117.05	116.90	117.05 116.90
Mar	120.40	120.30	120.40 120.30

Turnover: Wheat 240 (436). Barley 98 (83).
Turnover lots of 100 tonnes.

PIGS – BFE (Cash Settlement) p/kg

	Close	Previous	High/Low
Jan	88.0	89.5	88.0
Feb	87.0		86.5
Apr	94.0	95.5	93.8

Turnover 8 (42) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 9,078 lots
Cash	1554-8	1555-7	1550/1548	1544-6		
3 months	1586-8	1616-7	1610/1576	1579-80	1580-1	60,083 lots
Copper, Grade A (£ per tonne)						Total daily turnover 12,446 lots

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	79.35	79.15	79.47	79.15
Feb	78.37	78.00	78.47	78.02
Apr	76.12	75.80	76.17	75.82
Jun	73.90	73.72	73.97	73.75

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Nov	118.00	117.95	118.00	117.50
Dec	116.60	115.10	116.30	114.45
Jan	114.30	113.90	114.30	114.30
Mar	111.60	110.60	112.25	110.60

Chicago

New York

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Pound and French franc firm

STERLING and the French franc attracted attention in subdued foreign exchange trading yesterday. The pound was firm but nervous as the political manoeuvring continued ahead of next week's ballot to find a new leader of the ruling UK Conservative party.

The franc was also seen as being vulnerable to political events, after the French government narrowly survived a motion of no confidence earlier this week, but it was economic news on trade and growth that influenced the currency yesterday, leading to an improvement against the D-Mark.

Other major currencies traded quietly, with the dollar improving on position squaring ahead of the weekend. There was no news to influence the US currency.

Sterling moved narrowly, finishing towards the top of the day's range. Reaction in New York, as most dealers returned from Thursday's Thanksgiving holiday, registered some surprise at the pound's resilience to the resignation of Mrs Margaret Thatcher, as UK prime minister.

Action by the Bank of England helped underpin the currency. In its management of the London money market the central bank made it clear that bank base rates are not to be cut in the near future. The Bank also failed to supply enough help to take out a very large credit shortage, pushing short term interest rates up - overnight money touched 25 per cent in places - and making speculation against the pound expensive.

At the close in London sterling had climbed to DM2.9225 from DM2.9100; to FFr9.8525 from FFr9.8250; and to SFr2.4750 from SFr2.4600, but had eased to Y250.50 from Y250.75. It was also slightly weaker against the dollar, shedding 15 points to $1.9675.

The pound's index rose 0.1 to 94.3. Sterling remained at the bottom of the European Monetary System, but a lower D-Mark kept pressure off the weaker members of the ERM.

The French franc was supported by a larger than expected rise in third quarter French gross domestic product growth and a surprisingly small trade deficit in October. At the London close the D-Mark had fallen to FFr3.3700 from FFr3.3760.

In Milan the Italian lira improved after the Bank of Italy accepted a relatively small number of bids at a repurchase tender, indicating its wish to keep rates firm. The D-Mark fell to L750.42 from L751.29 at the fixing.

In London the dollar rose to DM1.4860 from DM1.4780; to Y127.35 from Y127.30; to FFr5.0075 from FFr4.9900; and to SFr1.2585 from SFr1.2490. Its index climbed to 60.0 from 59.9.

£ IN NEW YORK

Nov.23	Latest	Previous Close
£ Spot	1.9670-1.9680	1.9695-1.9705
1 month	0.96-0.94pm	1.01-0.99pm
3 months	2.49-2.46pm	2.66-2.63pm
12 months	7.75-7.65pm	7.80-7.70pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Nov.23	Previous
8.30 am	94.1	94.1
9.00 am	94.2	94.1
10.00 am	94.2	94.3
11.00 am	94.2	94.3
Noon	94.2	94.1
1.00 pm	94.2	94.2
2.00 pm	94.2	94.2
3.00 pm	94.2	94.2
4.00 pm	94.3	94.2

CURRENCY RATES

Nov 23	Bank rate %	Special * Drawing Rights	European † Currency Unit
Sterling	–	0.737624	0.702561
U.S Dollar	7	1.45253	1.38278
Canadian $	12.82	1.68290	1.60589
Austrian Sch	6½	15.0598	14.4362
Belgian Franc	10½	44.2332	42.3857
Danish Krone	10½	8.21841	7.87355
D-Mark	6.00	N/A	2.05219
Dutch Guilder	7.25	2.41410	2.31491
French Franc	10½	7.22779	6.91805
Italian Lira	12½	1610.36	1540.07
Japanese Yen	6	186.577	175.917
Norway Krone	8	8.37529	8.00830
Spanish Peseta	–	135.970	129.857
Swedish Krona	11	8.03757	7.68135
Swiss Franc	6.00	1.80767	1.73262
Greek Drach	20½	N/A	210.584
Irish Punt	–	N/A	0.768895

† European Commission Calculations.
* All SDR rates are for Nov 21

CURRENCY MOVEMENTS

Nov 23	Bank of England Index	Morgan** Guaranty Changes %
Sterling	94.3	-28.2
U.S Dollar	60.0	-19.3
Canadian Dollar	102.2	-0.2
Austrian Schilling	110.3	+12.3
Belgian Franc	111.9	+4.7
Danish Krone	111.1	+4.4
D-Mark	120.0	+24.1
Swiss Franc	115.5	+24.4
Dutch Guilder	115.4	+16.9
French Franc	105.6	-11.2
Lira	108.0	-19.2
Yen	136.6	+72.1

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for Nov.21.

OTHER CURRENCIES

Nov 23	£	$
Argentina	[illegible]	[illegible]
Australia	2.5690 - 2.5710	1.3070 - 1.3080
Brazil	239.915 - 243.970	122.00 - 124.00
Finland	7.0030 - 7.0160	3.5670 - 3.5700
Greece	297.00 - 301.75	150.90 - 153.35
Hong Kong	15.3225 - 15.3365	7.7900 - 7.7960
Iran	125.00*	63.00*
Korea(Sth)	1396.50 - 1419.00	711.00 - 717.40
Kuwait	N/A	N/A
Luxembourg	60.35 - 60.45	30.65 - 30.75
Malaysia	5.2660 - 5.2790	2.6810 - 2.6820
Mexico	5773.65 - 5796.25	2936.00 - 2946.00
N Zealand	3.2020 - 3.2070	1.6290 - 1.6320
Saudi Ar.	7.3650 - 7.4200	3.7490 - 3.7510
Singapore	3.3550 - 3.3625	1.7080 - 1.7090
S.Af (Cm)	4.9370 - 4.9495	2.5115 - 2.5130
S.Af (Fn)	6.6355 - 6.7495	3.3725 - 3.4305
Taiwan	53.50 - 53.60	27.15 - 27.30
U.A.E.	7.2135 - 7.2580	3.6720 - 3.6740

* Selling rate

FORWARD RATES AGAINST STERLING

	Spot	1 mth	3 mths	6 mths	12 mths
US Dollar	1.9675	1.9580	1.9427	1.9234	1.8907
D-mark	2.9225	2.9094	2.8918	2.8732	2.8441
French Fr.	9.8525	9.8189	9.7704	9.7270	9.6720
Swiss Fr.	2.4750	2.4641	2.4482	2.4279	2.3925
Yen	250.50	249.35	248.33	245.40	241.72

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Nov 23	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.9668 - 1.9690	1.9670 - 1.9680	0.96-0.94cpm	5.79	2.49-2.46pm	5.05
Ireland†	1.7950 - 1.8055	1.7985 - 1.7995	0.38-0.33cdis	-2.37	1.08-0.98pm	2.29
Canada	1.1570 - 1.1610	1.1585 - 1.1595	0.40-0.42cdis	-4.25	1.12-1.16dis	-3.93
Netherlands	1.6675 - 1.6775	1.6755 - 1.6765	0.08-0.11cdis	-0.68	0.31-0.35dis	-0.79
Belgium	30.55 - 30.75	30.65 - 30.75	1.50-3.50dis	-0.98	[illegible]	-0.94
Denmark	5.6780 - 5.7040	5.6975 - 5.7025	1.00-1.20oredis	-2.32	3.25-3.85dis	[illegible]
Germany	1.4780 - 1.4880	1.4855 - [illegible]	0.04-0.06pfdis	-0.40	0.30-0.33dis	-0.85
Portugal	130.35 - 130.60	130.50 - 130.60	90-100cdis	-8.73	250-280dis	-8.12
Spain	93.80 - 94.15	94.05 - 94.15	50-54cdis	-6.63	145-157dis	-6.40
Italy	1111.25 - 1115.75	1114.50 - 1115.00	4.00-4.50liredis	-4.58	11.30-12.30dis	-4.23
Norway	5.7800 - 5.8020	5.7950 - 5.8000	1.45-1.80oredis	-3.36	4.60-5.10dis	-3.35
France	4.9885 - 5.0180	5.0050 - 5.0100	0.69-0.74dis	-1.71	2.11-2.21dis	-1.73
Sweden	5.5425 - 5.5655	5.5600 - 5.5650	2.85-3.15oredis	-6.47	8.90-9.50dis	-6.62
Japan	126.90 - 127.50	127.30 - 127.40	0.02-0.04ydis	-0.28	0.06-0.09dis	-0.24
Austria	10.4050 - 10.4590	10.4540 - 10.4590	0.70-1.05grodis	-1.00	2.30-3.30dis	-1.07
Switzerland	1.2480 - 1.2610	1.2580 - 1.2590	0.04-0.07cdis	-0.52	0.19-0.26dis	-0.72
Ecu	1.3880 - 1.3945	1.3880 - 1.3890	0.25-0.23cpm	2.07	0.76-0.70pm	2.10

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

POUND SPOT - FORWARD AGAINST THE POUND

Nov 23	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.9665 - 1.9690	1.9670 - 1.9680	0.96-0.94cpm	5.79	2.49-2.46pm	5.03
Canada	2.2780 - 2.2845	2.2800 - 2.2810	0.32-0.25cpm	1.50	0.71-0.59pm	1.14
Netherlands	3.2925 - 3.3030	3.2925 - 3.3025	1½-1⅜cpm	5.23	3½-3¼pm	4.09
Belgium	60.20 - 60.50	60.35 - 60.45	27-22cpm	4.87	67-57pm	4.11
Denmark	11.1890 - 11.2300	11.2100 - 11.2200	3⅜-3orepm	3.54	7⅞-6⅞pm	2.56
Ireland	1.0900 - 1.1050	1.0940 - 1.0950	0.35-0.30cpm	3.56	0.77-0.70pm	2.69
Germany	2.9175 - 2.9275	2.9175 - 2.9275	1¼-1⅛pfpm	5.39	3½-3pm	4.19
Portugal	255.95 - 257.60	256.60 - 257.60	17-40cdis	-1.33	165-237dis	-3.13
Spain	184.50 - 185.60	184.65 - 184.95	20-25cdis	-1.46	54-68dis	-1.32
Italy	2191.10 - 2196.40	2192.75 - 2193.75	3-2lirepm	1.37	6-4pm	0.91
Norway	11.3880 - 11.4205	11.4025 - 11.4125	2¾-2orepm	2.50	4⅝-3⅝pm	1.49
France	9.8400 - 9.8645	9.8475 - 9.8575	3⅜-3⅛cpm	4.11	8⅜-8pm	3.32
Sweden	10.9225 - 10.9625	10.9400 - 10.9500	½-1⅛oredis	-0.75	4¼-4⅝dis	-1.64
Japan	250.00 - 251.00	250.00 - 251.00	1¼-1⅛ypm	5.69	3¼-2⅞pm	4.79
Austria	20.52 - 20.60	20.54 - 20.57	9-7⅜gropm	4.89	21½-18½pm	3.86
Switzerland	2.4650 - 2.4800	2.4700 - 2.4800	1¼-1cpm	5.15	2⅞-2½pm	4.24
Ecu	1.4120 - 1.4170	1.4140 - 1.4150	0.48-0.45cpm	3.94	1.08-1.03pm	2.98

Commercial rates taken towards the end of London trading. Six-month forward dollar 4.43-4.38cpm. 12 Month 7.73-7.63cpm

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Nov 23	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Spanish Peseta	133.631	129.857	-2.82	3.74	59
D-Mark	2.05586	2.05219	-0.18	0.99	15
Dutch Guilder	2.31643	2.31491	-0.07	0.88	6
Belgian Franc	42.4032	42.3857	-0.04	0.85	4
Italian Lira	1538.24	1540.07	0.12	0.69	-3
Irish Punt	0.767417	0.768895	0.19	0.62	-6
French Franc	6.89509	6.91805	0.33	0.48	-16
Danish Kroner	7.84195	7.87355	0.40	0.41	-15
Sterling	0.696904	0.702561	0.81	0.00	-15

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. Adjustment calculated by Financial Times.

EURO-CURRENCY INTEREST RATES

Nov 23	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	14¼ - 14⅛	14¼ - 14⅛	13⅞ - 13¾	13⅞ - 13¾	12⅞ - 12⅝	12⅛ - 12⅝
US Dollar	7⅞ - 7⅞	7⅞ - 7⅝	7⅞ - 7⅝	8⅛ - 8	8 - 7⅞	7⅞ - 7⅞
Can. Dollar	12⅛ - 11⅞	12⅛ - 11⅞	12⅛ - 11⅞	11⅞ - 11⅞	11⅝ - 11⅜	11⅞ - 11⅛
Dutch Guilder	8⅛ - 8⅛	8⅛ - 8⅛	8⅛ - 8⅝	8⅞ - 8⅞	9 - 8⅞	9⅛ - 9
Swiss Franc	8⅛ - 8⅛	8⅛ - 8⅛	8⅛ - 8⅛	8⅞ - 8⅞	8⅞ - 8⅞	8⅞ - 8⅞
D-Mark	7⅞ - 7⅞	8⅛ - 8⅛	8⅛ - 8⅛	8⅞ - 8⅞	9 - 8⅞	9⅛ - 9
French Franc	9⅞ - 9⅞	9⅞ - 9⅞	9⅞ - 9⅞	9⅞ - 9⅞	10 - 9⅞	10⅛ - 10⅛
Italian Lira	13 - 11	13⅛ - 12⅛	12⅛ - 12	12⅛ - 11⅞	12⅛ - 11⅞	12⅛ - 12
Belgian Franc	9⅛ - 9	9 - 8⅞	8⅞ - 8⅞	9⅛ - 9⅛	9⅛ - 9⅛	9⅛ - 9⅛
Yen	8⅛ - 8⅛	8⅛ - 8⅛	8⅛ - 8⅛	8⅛ - 8⅛	8⅛ - 8⅛	8⅛ - 8⅛
Danish Krone	9⅞ - 9⅞	9⅞ - 9⅞	10⅛ - 10	10⅛ - 10⅛	10⅛ - 10⅛	10⅛ - 10⅛
Asian $Sing	7⅞ - 7⅞	7⅞ - 7⅞	8⅛ - 8⅛	8⅛ - 8⅛	8 - 7⅞	8 - 7⅞

Long term Eurodollars: two years 8⅛-8⅛ per cent; three years 8⅛-8⅛ per cent; four years 8⅛-8⅛ per cent; five years 8⅛-8⅛ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Nov. 23	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.968	2.923	250.5	9.853	2.475	3.298	2193.	2.280	60.40
$	0.508	1	1.485	127.3	5.007	1.258	1.676	1114	1.159	30.69
DM	0.342	0.673	1	85.70	3.371	0.847	1.128	750.3	0.780	20.66
YEN	3.992	7.856	11.67	1000.	39.33	9.880	13.17	8754	9.102	241.1
F Fr.	1.015	1.997	2.967	254.2	10.	2.512	3.347	2226	2.314	61.30
S Fr.	0.404	0.795	1.181	101.2	3.981	1	1.333	886.1	0.921	24.40
H Fl.	0.303	0.597	0.886	75.96	2.988	0.750	1	664.9	0.691	18.31
Lira	0.456	0.897	1.333	114.2	4.493	1.129	1.504	1000.	1.040	27.54
C $	0.439	0.863	1.282	109.9	4.321	1.086	1.446	961.8	1	26.49
B Fr.	1.656	3.258	4.839	414.7	16.31	4.098	5.460	3631	3.775	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS
£50,000 64ths of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements MAR
83	3-50	4-46	0	0-34
84	2-50	3-58	0	0-46
85	1-50	3-11	0	0-63
86	0-50	[illegible]	0	1-21
87	0	1-41	0-14	1-49
88	0	1-30	1-14	2-18
89	0	1-07	2-14	2-59
90	0	0-55	3-14	3-43

Estimated volume total, Calls 1603 Puts 726
Previous day's open int. Calls 23364 Puts 37367

LIFFE US TREASURY BOND FUTURES OPTIONS
$100,000 64ths of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements MAR
91	3-30	3-54	0	0-48
92	2-30	3-05	0	0-63
93	1-30	2-24	0	1-18
94	0-30	1-51	0	1-45
95	0	1-20	0-34	2-14
96	0	0-59	1-34	2-53
97	0	0-41	2-34	3-35
98	0	0-28	3-34	[illegible]

Estimated volume total, Calls 15 Puts 635
Previous day's open int. Calls 2258 Puts 4113

LIFFE BUND FUTURES OPTIONS
DM250,000 points of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements MAR
8150	1.71	2.10	0	0.50
8200	1.21	1.72	0	0.62
8250	0.71	1.37	0	0.77
8300	0.21	1.07	0	0.97
8350	0	0.84	0.29	[illegible]
8400	0	0.64	0.79	1.54
8450	0	0.48	1.29	1.88
8500	0	0.37	1.79	2.27

Estimated volume total, Calls 4784 Puts 3861
Previous day's open int. Calls 60228 Puts 112898

LIFFE EUROMARK OPTIONS
DM1m points of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements MAR
9000	0.96	1.05	0	0.01
9025	0.71	0.82	0	0.03
9050	0.48	0.59	0.02	0.05
9075	0.24	0.39	0.03	0.10
9100	0.05	0.22	0.09	0.18
9125	0.01	0.11	0.30	0.32
9150	0	0.05	0.54	0.51
9175	0	[illegible]	0.79	0.73

Estimated volume total, Calls 245 Puts 110
Previous day's open int. Calls 16341 Puts 21165

LIFFE EURODOLLAR OPTIONS
$1m points of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements MAR
9125	0.75	1.23	0	0
9150	0.50	0.99	0	0.01
9175	0.26	0.75	0.01	0.02
9200	0.08	0.54	0.08	0.06
9225	0.02	0.34	0.27	0.11
9250	0	0.20	0.50	0.22
9275	0	0.11	0.75	0.38
9300	0	0.05	1.00	0.57

Estimated volume total, Calls 0 Puts 0
Previous day's open int. Calls 3733 Puts 2381

LIFFE SHORT STERLING OPTIONS
£500,000 points of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements MAR
8600	0.92	2.42	0	0
8625	0.69	2.18	0.02	0.01
8650	0.46	1.94	0.04	0.02
8675	0.27	1.70	0.10	0.03
8700	0.13	1.47	0.21	0.05
8725	0.05	1.25	0.38	0.08
8750	0.02	1.03	0.60	0.11
8775	0.01	0.83	0.84	0.16

Estimated volume total, Calls 2164 Puts 3484
Previous day's open int. Calls 82760 Puts 78415

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev.
Dec	86-25	86-31	86-10	86-18
Mar	87-06	87-15	86-25	86-21
Jun	87-10			[illegible]

Estimated volume 13502 (40132)
Previous day's open int. 32129 (26604)

US TREASURY BONDS 8%
$100,000 32nds of 100%

	Close	High	Low	Prev.
Dec	94-15	94-20	94-10	94-18
Mar	94-05	94-03	94-03	94-09
Jun	93-25			[illegible]

Estimated volume 1980 (1339)
Previous day's open int. 8257 (7096)

6% NOTIONAL GERMAN GOVT. BOND
DM250,000 100ths of 100%

	Close	High	Low	Prev.
Dec	83.21	83.36	83.09	[illegible]
Mar	83.10	83.22	82.98	83.11
Jun	83.01			83.02

Estimated volume 28155 (41510)
Previous day's open int. 109810 (112916)

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100%

	Close	High	Low	Prev.
Dec	92.98	93.12	92.96	93.08
Mar	93.10	93.20	93.07	93.20

Estimated volume 34 (152)
Previous day's open int. 870 (806)

THREE MONTH STERLING
£500,000 points of 100%

	Close	High	Low	Prev.
Dec	86.92	87.00	86.88	86.97
Mar	88.42	88.44	88.36	88.40
Jun	89.01	89.01	88.92	88.95
Sep	89.08	89.07	88.96	88.98
Dec	89.07	89.04	88.95	88.97
Mar	88.82	88.82	88.76	88.77
Jun	88.76	88.72	88.71	88.71
Sep	88.67	88.64	88.64	88.64
Dec	88.76	88.74	88.74	88.74
Mar	88.76			88.74
Jun	88.76			88.74
Sep	88.76	88.70	88.66	88.74

Est. Vol. (inc. figs. not shown) 27169 (32274)
Previous day's open int. 162657 (160429)

THREE MONTH EURODOLLAR
$1m points of 100%

	Close	High	Low	Prev.
Dec	92.00	92.01	91.99	92.01
Mar	92.48	92.48	92.43	92.48
Jun	92.57	92.58	92.55	92.57
Sep	92.54	92.54	92.52	92.53
Dec	92.32	92.30	92.31	92.30
Mar	92.13	92.12	92.12	92.11
Jun	91.88	91.88	91.88	91.87
Sep	91.75	91.74	91.74	91.73

Est. Vol. (inc. figs. not shown) 2161 (3407)
Previous day's open int. 45632 (45462)

THREE MONTH EUROMARK
DM 1m points of 100%

	Close	High	Low	Prev.
Dec	90.96	91.00	90.92	90.96
Mar	91.04	91.08	91.02	91.07
Jun	91.10	91.12	91.07	91.11
Sep	91.11	91.12	91.08	91.12
Dec	91.13	91.13	91.05	91.14
Mar	91.13	91.11	91.06	91.14
Jun	91.13			91.14
Sep	91.13			91.14

Estimated volume 8421 (4674)
Previous day's open int. 77837 (77994)

THREE MONTH ECU
ECU 1m points of 100%

	Close	High	Low	Prev.
Dec	89.96	89.99	89.94	89.98
Mar	90.25	90.25	90.25	90.25
Jun	90.28			90.28
Sep	90.30			90.33

Estimated volume 60 (146)
Previous day's open int. 1755 (1654)

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev.
Dec	2199.0	2204.0	2155.0	2156.0
Mar	[illegible]	[illegible]	[illegible]	2180.0
Jun	[illegible]			2226.0

Estimated volume [illegible]

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.9675	1.9580	1.9427	1.9234	1.8907

IMM-STERLING $s per £

	Latest	High	Low	Prev.
Dec	1.9588	1.9614	1.9582	1.9618
Mar	1.9360	1.9398	1.9346	1.9386
Jun	1.9200	-	-	1.9200

CHICAGO

U.S. TREASURY BONDS (CBT) 8%
$100,000 32nds of 100%

	Latest	High	Low	Prev.
Dec	94-15	94-17	94-10	94-20
Mar	94-02	94-06	93-31	94-09
Jun	93-20	93-25	93-19	93-28
Sep	93-14	93-05	93-05	[illegible]
Dec	93-01	-	-	93-01
Mar	92-21	-	-	92-21
Jun	92-10	-	-	92-10
Sep	92-00	-	-	92-00
Dec	91-23	-	-	91-23
Mar	-	-	-	-
Jun	-	-	-	-

U.S. TREASURY BILLS (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
Dec	93.06	93.06	93.04	[illegible]
Mar	93.64	93.65	93.61	93.63
Jun	[illegible]	-	-	[illegible]
Sep	93.82	93.82	-	93.82
Dec	93.64	93.66	-	93.64

SWISS FRANC (IMM)
SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
Dec	0.7934	0.7981	0.7917	0.8024
Mar	0.7921	0.7965	0.7905	0.8008
Jun	0.7994	-	0.7901	0.7994
Sep	0.7970	-	-	0.7970

JAPANESE YEN (IMM)
Y12.5m $ per Y100

	Latest	High	Low	Prev.
Dec	0.7848	0.7963	0.7841	0.7866
Mar	0.7841	0.7855	0.7837	0.7860
Jun	0.7848	-	0.7835	0.7848

DEUTSCHE MARK (IMM)
DM125,000 $ per DM

	Latest	High	Low	Prev.
Dec	0.6726	0.6739	0.6719	0.6769
Mar	0.6703	0.6722	0.6703	0.6751
Jun	0.6702	0.6702	0.6695	0.6729

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
Dec	92.01	92.01	91.99	92.01
Mar	92.48	92.49	92.45	92.47
Jun	92.58	92.58	92.55	92.56
Sep	92.54	92.55	92.52	92.53
Dec	92.32	92.33	92.29	92.30
Mar	92.14	92.14	92.10	92.11
Jun	91.89	91.89	91.85	91.87
Sep	91.74	91.74	91.72	91.73

STANDARD & POORS 500 INDEX
$500 times index

	Latest	High	Low	Prev.
Dec	318.00	318.05	317.25	317.85
Mar	320.10	320.65	319.90	320.40
Jun	323.45	-	323.00	323.45

PHILADELPHIA SE £/$ OPTIONS
£31,250 (cents per £1)

Strike Price	Calls Dec	Calls Jan	Calls Feb	Calls Mar	Puts Dec	Puts Jan	Puts Feb	Puts Mar
1.825	14.00	14.00	14.00	13.90	-	0.08	0.48	0.94
1.850	11.30	11.50	11.50	11.40	-	0.22	0.85	1.43
1.875	9.00	9.00	9.06	9.22	-	0.51	1.37	2.09
1.900	6.50	6.63	6.96	7.24	0.17	1.00	2.09	3.00
1.925	[illegible]	4.63	5.18	[illegible]	0.56	1.73	2.93	3.86
1.950	2.27	3.03	3.74	4.18	1.33	[illegible]	4.12	5.13
1.975	1.14	1.99	2.62	3.08	2.57	[illegible]	5.59	6.61

Previous day's open int: Calls N/A Puts N/A (All currencies)
Previous day's volume: Calls N/A Puts N/A (All currencies)

10 YEAR 10% NOTIONAL FRENCH BOND (MATIF) FUTURES

	Open	Close	Change	High	Low	Yield	Open int.
December	99.58	99.70	+0.22	99.80	99.58	10.05	64,882
March	99.54	99.70	+0.26	99.80	99.54	10.06	14,137
June	99.40	99.54	+0.14	99.62	99.40	10.07	5,669
September	-	-	-	-	-	10.11	276

Estimated volume 60,937 Total Open Interest 84,964

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls December	Calls March	Calls June	Puts December	Puts March	Puts June
97	-	-	-	0.02	0.56	-
98	1.74	2.45	-	0.06	0.75	-
99	0.86	1.60	-	0.16	1.05	1.56
100	0.25	1.10	-	0.60	1.47	-
101	0.06	0.72	1.20	-	-	-
102	-	0.44	-	-	-	-
Open Int	139,704	79,915	11,862	164 483	80,613	8,522

Estimated volume 28,765 Total Open Interest 485,612

THREE-MONTH PIBOR FUTURES (MATIF) (Paris interbank offered rate)

	Open	Close	Change	High	Low	Yield	Open int.
December	90.04	90.05	+0.02	90.06	90.03	9.95	17,792
March	90.15	90.15	+0.02	90.17	90.13	9.85	15,090
June	90.14	90.15	+0.03	90.15	90.14	9.86	1,856
September	-	90.12	+0.02	90.12	90.12	9.88	1,412

Estimated volume 4,665 Total Open Interest 36,150

CAC-40 FUTURES (MATIF) Stock Index

	Open	Close	Change	High	Low	Open Int.
November	1657.0	1643.0	-8.5	1659.0	1639.0	6,888
December	1663.0	1654.0	-5.0	1664.0	1649.0	2,405
January	1670.0	1662.0	-5.0	1670.0	1661.0	107
March	-	-	-	-	-	10

Estimated volume 5,280 Total Open Interest 9,410

BANK RETURN

BANKING DEPARTMENT	Wednesday November 21 1990		Increase or decrease for week
LIABILITIES	£		£
Capital	14,553,000		
Public Deposits	41,324,083	-	3,327,112
Bankers Deposits	1,803,364,716	+	9,210,127
Reserve and other Accounts	2,203,461,882	+	72,356,635
	4,062,703,661	+	78,239,651
ASSETS			
Government Securities	1,296,228,113	+	72,290,000
Advance and other Accounts	796,621,924	+	89,184,090
Premises Equipment & other Secs	1,961,449,537	-	85,656,775
Notes	7,164,486	+	2,410,333
Coin	241,601	+	12,103
	4,062,703,661	+	78,239,651
ISSUE DEPARTMENT			
LIABILITIES			
Notes in circulation	15,582,835,514	+	17,589,767
Notes in Banking Department	7,164,486	+	2,410,333
	15,590,000,000	+	20,000,000
ASSETS			
Government Debt	11,015,100		
Other Government Securities	12,838,987,659	+	875,044,779
Other Securities	2,739,997,241	-	855,044,779
	15,590,000,000	+	20,000,000

MONEY MARKETS

Bank affirms 14%

Interest rates had a slightly firmer tone in London yesterday after the Bank of England sent a second signal in consecutive days to the money market that a cut in UK bank base rates is not welcome.

Lending money to the discount houses for 14 days, at the existing base rate level, was a strong indication of official resistance to a base rate cut, but the pressure for lower rates was maintained at the weekly Treasury bill tender, with a sharp fall in the average rate of discount.

On the cash market three-month sterling interbank was quoted at 13¼-13⅛ per cent against 13⅛-13⅛, while 12-month money was unchanged at 12⅛-12⅝ per cent.

Prices of short sterling futures weakened on Liffe, finishing towards the bottom of the day's range after the December contract touched a peak of 87.00.

The day's high pointed towards a cut of 1 point to 13 per cent in base rates by delivery on December 19, but the Bank's signal pushed the contract down to 86.94 at the close from 86.97 previously.

Day-to-day credit was in very short supply on the money market. The Bank of England initially forecast a shortage of £1,750m, but revised this down to £1,700m at noon and up to £1,800m in the afternoon.

Total assistance of £1,589m was provided. An early round of help was offered, and at that time the authorities bought £610m bills outright, by way of £118m Treasury bills in band 1 at 13⅞ per cent; £19m bank bills in band 1 at 13⅞ per cent; £5m Treasury bills in band 2 at 13⅞ per cent; and £468m bank bills in band 2 at 13⅞-13⅞ per cent.

Before lunch another £379m bank bills were purchased in band 1 at 13⅞ per cent. In the afternoon the Bank of England lent £580m to the market for 14 days at a rate of 14 per cent.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £948m, with exchequer transactions absorbing £100m, a rise in the note circulation £495m, and bank balances below target £205.

At the weekly tender the average rate of discount on £250m 91-day Treasury bills fell to 12.7493 from 13.0333 per cent, and the top accepted rate declined to 12.7951 from 13.0758 per cent. This was equivalent to a price of £96.81. The average rate on £200m 182-day bills fell to 11.8640 from 12.2084 per cent.

UK clearing bank base lending rate
14 per cent
from October 8, 1990

FT LONDON INTERBANK FIXING

(11.00 a.m. Nov.23) 3 months US dollars		6 months US Dollars	
bid 8	offer 8⅛	bid 7⅞	offer 8

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

Lunchtime

		Treasury Bills and Bonds			
Prime rate	10	One month	6.76	Three year	7.63
Broker loan rate	9½	Two month	7.08	Four year	7.80
Fed.funds	7⅞	Three month	7.30	Five year	7.98
Fed.funds at intervention	-	Six month	7.33	Seven year	8.16
		One year	7.27	10-year	8.28
		Two year	7.53	30-year	8.44

Nov.23	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	8.00-8.05	8.25-8.35	8.65-8.80	8.75-8.85	8.85-9.00	8.50
Paris	9⅛-9⅜	[illegible]	[illegible]	9⅜-9⅝	9⅞-10	9.50
Zurich	7⅞-7⅝	8⅛-8⅜	-	8⅛-8⅜	-	-
Amsterdam	8.25-8.35	8.40-8.48	-	8.73-8.83	-	-
Tokyo	8⅛-8⅜	8⅛-8⅜	-	8⅛-8⅜	-	-
Milan	10⅞-11	13⅛-13⅞	-	13-13⅛	-	-
Brussels	7.00	8⅞-8⅞	-	9⅛-9⅞	-	-
Dublin	10-10⅛	10⅞-10⅞	10⅛-10⅜	10⅞-10⅞	10⅛-10⅜	-

LONDON MONEY RATES

Nov 23	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	25	14½	14	13⅞	12⅞	12⅝
Interbank Bid	14	14¼	13¾	13¾	12¾	12½
Sterling CDs	-	-	14	13⅞	12¾	12½
Local Authority Deps.	14⅛	14⅛	14	13⅞	13⅛	13⅛
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	17	14⅛	13⅞	13	-	-
Company Deposits	-	-	14⅛	13⅞	13⅛	12⅞
Finance House Deposits	-	-	14	13⅞	12⅞	12⅝
Treasury Bills (Buy)	-	-	13⅞	13⅛	-	-
Bank Bills (Buy)	-	-	13⅞	12⅞	12⅛	-
Fine Trade Bills (Buy)	-	-	14⅛	13⅞	12⅞	-
Dollar CDs	-	-	7.82	8.05	7.95	7.87
SDR Linked Dep. Offer	-	-	8⅞	9⅛	9⅛	9⅛
SDR Linked Dep. Bid	-	-	8⅝	9	8⅞	8⅞
ECU Linked Dep. Offer	-	-	9⅞	10⅛	10⅛	10⅛
ECU Linked Dep. Bid	-	-	9⅝	9⅞	10	10

Treasury Bills (sell); one-month 13⅛ per cent; three months 13⅛ per cent; six months 12⅞ per cent; Bank Bills (sell); one-month 13⅞ per cent; three months 12⅞ per cent; Treasury Bills; Average tender rate of discount 12.7493 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day October 31, 1990. Agreed rates for period Nov 26, 1990 to Dec 25, 1990, Scheme I: 15.08 p.c. Schemes II & III: 15.32 p.c. Reference rate for period Sept 29, 1990 to Oct 31, 1990, Scheme IV&V: 14.164 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 15 from November 1, 1990; Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 10½ per cent, one-three months 12 per cent, three-six months 12 per cent, six-nine months 12 per cent; nine-twelve months 11½ per cent; Under £100,000 10½ per cent from Oct 8, 1989. Deposits withdrawn for cash 5 per cent.

BASE LENDING RATES

	%		%		%
ABN Bank	14	Coutts & Co	14	NatWestminster	14
Adam & Company	14	Cyprus Popular Bk	14	Northern Bank Ltd	14
Allied Trust Bank	14	Dunbar Bank PLC	14	Nykredit Mortgage Bank	14½
AIB Bank	14	Duncan Lawrie	14	Provincial Bank PLC	15
● Henry Ansbacher	14	Equatorial Bank plc	14	Roxburghe Bank Ltd.	14½
Associates Cap Corp	15½	Exeter Trust Ltd	14½	Royal Bk of Scotland	14
● B & C Merchant Bank	14	Financial & Gen. Bank	14	Royal Trust Bank	14
Bank of Baroda	14	First National Bank Plc.	16	● Smith & Williamson Secs.	14
Banco Bilbao Vizcaya	14	● Robert Fleming & Co.	14	Standard Chartered	14
Bank Credit & Comm	14	Robert Fraser & Ptnrs.	14½	TSB	14
Bank of Cyprus	14	Girobank	14	Unibank plc	14
Bank of Ireland	14	● Guinness Mahon	14	● United Bk of Kuwait	14
Bank of India	14	HFC Bank plc	14	United Mizrahi Bank	14
Bank of Scotland	14	● Hambros Bank	14	Unity Trust Bank Plc	14
Banque Belge Ltd	14	Hampshire Trust Plc	14½	Western Trust	14
Barclays Bank	14	Heritable & Gen Inv Bnk.	14	Westpac Bank Corp.	14
Benchmark Bank	14	● Hill Samuel	14	Whiteaway Laidlaw	14
Brit Bk of Mid East	14	C. Hoare & Co.	14	Yorkshire Bank	14
● Brown Shipley	14	Hongkong & Shangh	14		
CL Bank Nederland	14	● Leopold Joseph & Sons	14		
● Charterhouse Bank	14	Lloyds Bank	14		
Citibank NA	14	Meghraj Bank Ltd	14		
City Merchants Bank	14	McDonnell Douglas Bnk.	14		
Clydesdale Bank	14	Midland Bank	14		
Comm. Bk. of London Plc	14	Mount Banking	14		
Co-operative Bank	*14	Nat Bk. of Kuwait	15		

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MONEY MARKET FUNDS

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
CAF Money Management Co Ltd 48 Pembury Road, Tonbridge TN9 2JD 0732 770114				
Calcash Deposit Fd	14.10	–	14.87	3-Mth
The COIF Charities Deposit Account 2 Fore Street London EC2Y 5AQ 071-588 1815				
Deposit	14.15	–	14.92	3-Mth
Cent. Bd. of Fin. of Church of England‡‡ 2 Fore Street London EC2Y 5AQ 071-588 1815				
Deposit	14.15	–	14.92	3-Mth
Gartmore Money Management Ltd 2-3 White Hart Yard London SE1R 1NX 071-236 1425				
Call Fnd	13.61	10.61	14.52	6-Mth
7-day Fund	13.84	10.79	14.78	6-Mth
Special Fund	14.15	–	15.39	1-Mth
Dollar	6.37	4.97	6.75	3-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
AIB Bank High Interest Cheque Account Belmont Rd, Uxbridge UB8 1SA 0800 282115				
£2,500-£9,999	12.00	9.36	12.92	Qtr
£10,000+	13.00	10.14	14.04	Qtr
Aitken Hume Bank plc 30 City Road, EC1Y 2AY 071-638 6070				
Treasury Acc.	12.50	9.75	13.48	Qtr
Mu Int Chq £1,000-£4,999	12.50	9.75	13.60	Mth
Mu Int Chq £5,000-£49,999	13.00	10.14	14.16	Mth
Mu Int Chq £50,000+	13.50	10.53	14.73	Mth
Allied Trust Bank Ltd 97-101 Cannon St London, EC4N 5AD 071-629 6802				
OMNA (£2 001+)	13.95	10.88	15.25	Mth
TOMNA (£2 001+)	14.25	11.12	15.60	Mth
HICA (£2,001+)	12.90	10.06	14.05	Mth
PROMNA (£250 001+)	13.95	10.88	15.25	-
American Express Bank Ltd c/o American Express Financial Services Limited Sussex House Burgess Hill West Sussex RH15 9AW 0444 230230				
High Performance Cheque Account				
£1 000-£4,999	12.16	9.50	12.87	Mth
£5 000-£9 999	12.30	9.60	13.01	Mth
£10 000-£24,999	12.81	10.00	13.59	Mth
£25 000+	13.58	10.60	14.46	Mth
Bank of Ireland High Interest Cheque Acc 36 Queen St, EC4R 1BN 0753 516516				
£2 000-£9,999	12.179	9.500	13.125	Qtr
£10 000+	12.500	9.750	13.483	Qtr
Bank of Scotland 38 Threadneedle St. EC2P 2EH 071-601 6446				
HM Dep Acc £2,500-£24 999	12.15	9.47	13.20	Mth
£25,000+	12.65	9.86	13.77	Mth
Barclays Capital Advantage Account PO Box 120, Westwood Bs Pk Coventry 0203 694342				
£10,000-£24 999	12.75	10.00	13.84	Qtr
£25,000-£49,999	13.25	10.25	14.20	Qtr
£50 000+	13.50	10.50	14.56	Qtr
Barclays Prime Account H.I.C.A. PO Box 125, Northampton 0604 252891				
£1,000-£2,499	11.80	9.20	12.70	Qtr
£2 500-£9,999	12.20	9.50	13.13	Qtr
£10,000-£24 999	12.80	10.00	13.84	Qtr
£25,000+	13.10	10.25	14.20	Qtr
Benchmark Bank PLC Premier Account 86 Newman Street, W1P 3LD 071-631 3313				
Small Deposits	9.50	–	–	–
£2,500-£10,000	12.50	9.75	13.48	Qtr
£10,001-£20,000	12.75	9.95	13.76	Qtr
£20 000+	13.50	10.53	14.60	Qtr
B & C Merchant Bank PLC Portfolio Acc 19 Motcomb Street, London SW1X 8LB 071-245 6616				
£2 500-£9,999	11.375	8.901	11.87	Qtr
£10 000-£49,999	12.75	9.98	13.37	Qtr
£50,000 and above	13.25	10.37	13.923	Qtr
Brown Shipley & Co Ltd Founders Court, Lothbury, London EC2 071-606 9833				
HICA	13.00	10.14	14.04	Qtr
Prof Demand A/c	12.375	9.65	13.34	Qtr
Caledonian Bank Plc 8 St Andrew Square, Edinburgh EH2 2PP 031 556 8235				
HICA	13.50	10.53	14.04	Yearly
Cater Allen Ltd 20 Birchin Lane, London EC3V 9DJ 071-623 2070				
HICA	12.75	9.945	13.0814	Mth
Comort £5 000 min	13.25	10.33	14.4518	Mth
Charterhouse Bank Limited 1 Paternoster Row, EC4M 7DH 071-248 4000				
£2 500-£19 999	12.25	9.56	13.31	Mth
£20,000-£49,999	12.50	9.75	13.60	Mth
£50,000-£99,999	12.75	9.95	13.88	Mth
£100 000+	13.00	10.14	14.17	Mth
$5 000-$49 999	6.00	4.68	6.38	Mth
$50 000-$99 999	6.50	5.07	6.92	Mth
$100,000-$199,999	6.75	5.27	7.19	Mth
$200,000+	7.00	5.46	7.47	Mth
Many other currencies are available—for rates please phone ext 2168				
Citibank Savings St Martins Hse, Hammersmith Grove W6 081-741 4941				
Money Market Plus £2,000-£24 999	11.00	8.40	11.79	Mth
£25 000	11.50	9.00	12.51	Mth
Clydesdale Bank PLC 30 St Vincent Place Glasgow G1 2HL 041 248 7070				
HICA £2 000-£9 999	11.2	8.74	12.04	Qtr
£10 000-£19,999	12.00	9.36	12.92	Qtr
£20 000-£49 999	12.2	9.52	13.15	Qtr
£50 000+	12.7	9.91	13.71	Qtr
Co-operative Bank Top Tier 78-80 Cornhill EC3 0800 616162				
£50 000+	12.8	10.0	13.7	6-Mth
£10,000-£49,999	12.5	9.75	13.3	6-Mth
£2 500-£9,999	11.2	8.75	11.9	6-Mth
£1,000-£2 499	10.6	8.25	11.2	6-Mth
£500-£999	10.2	8.0	10.9	6-Mth
Coutts & Co Reserve Account 440 Strand London WC2R 0QS 071-753 1000				
For personal customers				
£50,000+	12.375	9.125	12.589	Qtr
£20,000-£49 999	12.25	9.00	12.411	Qtr
£5 000-£19 999	11.75	8.625	11.877	Qtr
For businesses, charities and societies				
£100,000-£1 000 000	12.625	9.625	13.30	Qtr
£25 000-£99 999	12.50	9.375	12.946	Qtr
£10,000-£24 999	11.50	8.875	12.233	Qtr
Coutts Composite Account for clients money 27 Bush Lane, London EC4R 0AA 071-623 3434				
Rates negotiable up to	13.875	10.750	–	–
Dartington & Co Ltd 10 The Crescent, Plymouth PL1 3AB 0752 673873				
Money Mkt Acc	13.00	10.14	14.05	Qtr
Edington Plc 1 [illegible] Street, Manchester M2 6AW 061 834 2535				
NICA (£1 000+)	13.6875	10.68	14.82	Qtr
Money Market Deposit Account—Instant Access				
£1-£999	9.125	7.12	9.81	Mth
£1 000-£24 999	13.125	10.24	14.31	Mth
£25,000-£249 999	13.5625	10.58	14.81	Mth
£250 000-£999,999	13.75	10.737	15.03	Mth
£1 000 000 upwards	13.75	10.73	15.03	Mth
Ninety Day Notice Account				
£10 000-£24 999	14.125	11.02	14.69	Yearly
£25 000 upwards	14.50	11.31	15.08	Yearly
Financial & General Bank plc 15 Lowndes Street, London, SW1X 9EX 071-235 0036				
H I D.A £50 000	14.00	10.92	14.49	Qtr
H I D.A £10 000-£50 000	13.85	10.82	14.325	Qtr
Gartmore Money Management Ltd 2-3 White Hart Yard, London SE1 1NX 071-236 1425				
Money Mngt Acc	12.88	10.04	13.81	3-Mth
Girobank plc High Interest Cheque Acc 10 Milk St. London EC2V 8JH 071-600 6020				
£1 000-£3 999	9.50	8.00	10.67	Yearly
£4 000-£9 999	10.00	8.50	11.33	Yearly
£10,000-£49,999	10.50	9.00	12.00	Yearly
£50 000	12.00	9.50	12.67	Yearly
Homberclyde Finance Group Charley Ct Winchester Rd Basingstoke 0256 841863				
£50 000+	14.00	10.92	15.17	Qtr
Lloyds Bank – Investment Account 71 Lombard St, London EC3P 3BS 0272 433372				
£50,000 and above	13.3	10.6	14.1	Yearly
£25,000+	13.2	10.5	14.0	Yearly
£10,000+	12.9	[illegible]	13.5	Yearly
£5,000+	12.7	9.3	12.4	Yearly
Below £5,000	[illegible]	4.5	[illegible]	Yearly
M & G/Kleinwort Benson M & G Hse. Victoria Rd. Chelmsford 0245 266266				
H.I.C.A. (£2 500+)	12.25	9.555	13.327	Daily
Midland Bank plc [illegible] 0742 528655				
High Int Chq Acc.	10.90	8.50	11.70	Qtr
£10,000+	11.54	9.00	12.41	Qtr
£50 000+	12.18	9.50	13.13	Qtr
Premier Savings £5,000+	12.82	10.00	[illegible]	6-Mth
Exchequer Acc £10,000+	13.72	10.70	14.65	6-Mth
£25 000+	14.10	11.00	15.07	6-Mth
NatWest Crown Reserve Account 41 Lothbury, London, EC2P 2BP 071-374 3374				
£25 000 and above	13.75	10.75	14.48	3-Mth
£10,000 to £24,999	13.50	10.50	14.20	3-Mth
£2 000-£9,999	13.25	10.00	13.93	3-Mth
Provincial Bank PLC 30 Ashley Rd Altrincham, Cheshire 061-928 9011				
H I C.A. (£1,000+)	13.125	10.24	14.31	Mth
Royal Bank of Scotland plc Premium Acc 42 St Andrew Sq, Edinburgh EH2 2YE 031-228 5450				
£50,000+	12.96	10.10	14.00	Qtr
£25 000-£49 999	12.76	9.95	13.77	Qtr
£10,000-£24 999	12.57	9.80	13.56	Qtr
£2 500-£9,999	11.48	8.95	12.38	Qtr
Save & Prosper/Robert Fleming 28 Western Rd, Romford RM1 3LB 0708 766966				
H I B A	12.25	9.56	13.37	Daily
Sterling Bank & Trust Ltd Abbey Gdns, 6 Abbey St, Reading RG1 3BA 0734 592543				
HIDA £2,500+	14.15	11.04	15.12	6-Mth
Tyndall & Co Ltd 29-33 Princess Victoria St, Bristol 0272 744720				
Demand Acc	12.75	9.95	13.76	Qtr
HIMA	12.75	9.95	13.76	Qtr
HIMA £100 000+	13.00	10.14	14.04	Qtr
Client Plus Acc	12.25	9.56	13.20	Qtr
United Dominions Trust Ltd PO Box 135, Abbey St, Reading RG1 3EB 0734 560411				
Capital Plus Cheque Account £1,000+	13.60	10.61	14.31	–
J. Henry Schroder Wagg & Co Ltd 120 Cheapside, London EC2V 6DS 071-382 6000				
Special Acc.	13.125	10.23	14.30	Mth
£10 000 and above	13.375	10.43	14.59	Mth
Western Trust High Interest Cheque Acc The Moneycentre, Plymouth PL1 1SE 0752 224141				
£25 000+	13.50	10.53	14.60	Qtr
£5 000-£24 999	13.25	10.34	14.32	Qtr
£1 000-£4 999	13.00	10.14	14.04	Qtr
Wimbledon & South West Finance PLC 114 Newgate St. London EC1 7AE 071-606 9485				
High Int Cheque Acc	13.50	10.53	14.60	Qtr

NOTES—Gross rate to those exempt from composite rate of tax. Net actual rate after deduction of CRT. Gr Equiv CAR Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr frequency interest credited.

LEGAL NOTICES

NO. 008731 of 1990
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT
IN THE MATTER OF THE PELICAN GROUP PLC
- and -
IN THE MATTER OF THE COMPANIES ACT 1985

NOTICE IS HEREBY GIVEN that a Petition presented to Her Majesty's High Court of Justice on 10th October 1990 for the confirmation of the reduction of the capital of the above-named Company from £1,500,000 to £1,440,000 is directed to be heard before the Honourable Mr. Justice Morritt at the Royal Courts of Justice, Strand, London WC2A 2LL on Monday the 3rd day of December 1990.

ANY Creditor or shareholder of the said Company desiring to oppose the making of an Order for the confirmation of the said reduction of capital should appear at the time of hearing in person or by Counsel for that purpose.

A copy of the said Petition will be furnished to any such person requiring the same by the undermentioned Solicitors on payment of the regulated charge for the same.

DATED this 24th day of November 1990.

Mishcon De Reya of
125 High Holborn
London WC1V 6QP

Solicitors for the above-named Company

LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Services.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange Talisman system, they are not in order of execution but in ascending order which denotes the day's highest and lowest dealings.

For those securities in which no business was recorded in Thursday's Official List the latest recorded business in the four previous days is given with the relevant date.

Rule 535(2) and Third Market stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

‡ Bargains at special prices. ♦ Bargains done the previous day.

British Funds, etc
No. of bargains included 4657

Treasury 10% Stk 2003 A – £93¾ ¾ ¾ ¾
Exchequer 10½% Stk 2005 – £95¾ (19No90)
Guaranteed Export Finance Corp PLC 12¾% Gtd Ln Stk 2002(Reg) – £106¾ ¾

10¾% Ln Stk 2004(Reg) – £90¾♦
11% Ln Stk 2002(Reg) – £98 ¾
Finland(Republic of) 11½% Ln Stk 2009(Reg) – £97¾ ¾ ½
Hydro-Quebec 12.75% Ln Stk 2015 – £100¾ ¾ 1 ¾ (19No90)
15% Ln Stk 2011 – £116½ (16No90)
Inco Ld 15¾% Uns Ln Stk 2008 $ Rep Opt – £119¾ (20No90)
Inter-American Development Bank 9¾%

Corporation and County Stocks
No. of bargains included 7

UK Public Boards
No. of bargains included 1

Foreign Stocks, Bonds, etc-(coupons payable in London)
No. of bargains included 48

Sterling Issues by Overseas Borrowers
No. of bargains included 43

Banks and Discount Companies
No. of bargains included 3056

Breweries and Distilleries
No. of bargains included 719

Registered Housing Associations
No. of bargains included nil

Commercial, Industrial, etc
No. of bargains included 14687

Oil
No. of bargains included 3027

Property
No. of bargains included 398

Financial Trusts, Land, etc
No. of bargains included 161

Insurance
No. of bargains included 634

Investment Trusts
No. of bargains included 785

Unit Trusts
No. of bargains included 23

Mines – Miscellaneous
No. of bargains included 139

Mines – South African
No. of bargains included 24

Plantations
No. of bargains included 3

Anglo-Eastern Plantations PLC 12½% Uns Ln Stk 95/99 – £70 (19No90)
Chillington Corporation PLC Dfd 25p – 50 (20No90)
9¾% Cum Red Prf £1 – 56
Dunlop Plantations Ld 6% Cum Prf £1 – 47 (16No90)
Singapore Para Rubber Estates PLC Stk 5p – 42 (19No90)
United Plantations Africa Ld Ord R0.50 – £0.38 (20No90)

Shipping
No. of bargains included 272

Bergesen d-y AS "A" Vtg Shs NK2.5 – NK110 3 ½
"B" Non Vtg Shs NK2.5 – NK110 ½ .63 .791625 1 3 3

Utilities
No. of bargains included 5

California Energy Co Inc Shs of Com Stk $0.0675 – $7.475 (20No90)
GTE Corporation Shs of Com Stk $0.05 – £13¾ (19No90)
Manchester Ship Canal Co 5% Perp Prf £1 – £16¾ (16No90)
Mersey Docks & Harbour Co 3¾% Irrd Deb Stk – £20 (20No90)
Pacific Gas & Electric Co Shs of Com Stk $5 – $23¾ (16No90)
Tollgate Hldgs Ld 14% Uns Subord CompCnvDebs NPV(Reg) – 38 (16No90)

Water
No. of bargains included 2069

Portsmouth Water PLC Ord 10p – 192 (21No90)
"A" Non.Vtg Ord 10p – 151 (21No90)
14% Deb Stk 1992 – £100½ (20No90)
York Waterworks PLC Ord 10p – 120 (19No90)
East Anglian Water Co 4% Perp Deb Stk(April & October) – £30 (20No90)
9% Red Deb Stk 92/94 – £90 (21No90)
East Worcestershire Waterworks Co 8¾% Red Prf Stk 96/97 – £104½
Mid-Southern Water Co 10% Red Deb Stk 96/98 – £87 (16No90)
South Staffordshire Waterworks Co 4.9%(Fmly 7%)Ord Stk Class A – £260 75 (19No90)
4.9%(Fmly 7%)Ord Stk Class B – £375 (19No90)

Miscellaneous Warrants
No. of bargains included 4

Bankers Trust International Ld "POWERS" Rel to FT-SE 100 Index – £31¾ 31.5
Wts Rel to a U.K.Brew Basket of Shs – 20.21
Citibank N.A.Call Wts Rel to FT-SE 100 Index – $1.81

USM Appendix
No. of bargains included 268

Beckenham Group PLC 9% Red Cum Non-Vtg Prf £1 – 60 2 3
Bedford(William) PLC Ord 5p – 21 (16No90)
Brabant Resources PLC Ord £1 – 160 (21No90)
CMW Group PLC Ord 5p – 37
Dakota Group PLC Ord Ir£0.25 – I£0.27 (20No90)
Dewey Warren Hldgs PLC Var Rate Cnv Uns Ln Stk 1995 – £100 (16No90)
Harcourt Group PLC 8p Cnv Red Ptg Prf 2001/05 50p – 48 50 (21No90)
Mid-States PLC Ord 10p – 65 (19No90)
Midland & Scottish Resources PLC Ord 10p – 100 (21No90)
Paramount PLC Ord 2½p – 8 ¾ (21No90)
Pelican Group PLC ord 20p – 52 (21No90)
Savage Group PLC 8.8% (Net) Cum Red Cnv Prf £1 – 32 7 (21No90)
Standard Platform Hldgs PLC Ord 10p – 195 (21No90)
Tullow Oil PLC Warrants to sub for Ord – I£0.02 (21No90)

The Third Market Appendix
No. of bargains included 29

Edinburgh Hibernian PLC Ord 2p – 18

Rule 535(2)
No. of bargains included 31

Aberdeen Trust Hldgs PLC Wts to sub for Ord – £0.175 (21No90)
Adnams & Co PLC "B" Ord £1 – £17
African Gold PLC Ord 1p – £0.07
Arsenal Football Club Ld Ord £1 – £3700
Birmingham City Football Club Ld Ord 25p – £0.65 (20No90)
Brown(A.)& Sons PLC Ord 5p – £0.67‡ (16No90)
Ord 5p – £0.32
Clucas Cleaners Ld Ord £1 – £2½ (16No90)
Douglas Gas Light Co Ld Ord £1 – £4.35 (21No90)
Duckwari PLC Ord 10p – £0.35 (20No90)
Eastbourne Waterworks Co 2.8% Irrd Prf £5 – £25 (19No90)
Grampian Television PLC Ord 10p – £0.86
Greenstar Hotels PLC Ord 10p – £0 49
Guernsey Gas Light Co Ld Ord £1 – £4½ 4.8 (19No90)
Hambros PLC Ord 25p(£2 Options 88/91) – £0.37 (20No90)
Hayter Brockbank PLC Ord 10p – £0.85
Jacks(William) & Co Ld 5% Cum Prf £1 – £0½
Kleinwort Benson(Guernsey)Fund Man International Income – £1.622
London Wall Hldgs PLC Ord £1 – £2.45 2½ (20No90)
MIM Britannia International Ld Japan Income & Growth – £1.516 (21No90)
Manchester United Football Club Ld Ord £1 – £20
Mid Anglia Radio PLC Ord £1 – £2 (16No90)
National Parking Corp Ld Ord 10p – £3.4♦
North West Exploration PLC Ord 20p – 11½
Quay Properties Ld £1 – £1.05 (21No90)
Rangers Football Club PLC Ord £1 – £63
Shepherd Neame PLC "A" Ord £1 – £5½ 5.6 5.6
Southern Newspapers PLC Ord £1 – £1.8 (20No90)
Sun Oil Britain Ld Oil Royalty Stk Units 1p – £0.35 (20No90)
Yates Bros Wine Lodges PLC Ord 25p – £1 (19No90)

RULE 535 (4) (a)

Bargains marked in securities where principal market is outside the UK and Republic of Ireland. Quotation has not been granted in London and dealings are not recorded in the Official List.

Ampol Exploration A$2.3848
Boral Ord A$3.33, 3.350137 (21/11)
Bounty Invs 70♦
Community Psychiatric Centers $27 125 (16/11)
Eastcourt Ord $42♦ 42.5♦ (20/11)
Highveld Steel & Vanadium R12.5, 12.45
Killinghall Tin (Malaysia) Berhad Ord M$2.4♦ (21/11)
Kredietbank BF3169.1975♦ (16/11)
Mid-east Minerals A$0.0297 (21/11)
North Borneo Timbers M$1.0473
Oil Search 20
Playmates Hldgs HS3.8 (21/11)
Saab-Scania A SK182♦ 184.37♦ (20/11)
Vam A$0.15094 (19/11)

By Permission of the Stock Exchange Council

LONDON STOCK EXCHANGE

Interest rate hopes lead the market

A WAVE of optimism over an early cut in UK interest rates, encouraged by a continuing firm showing by sterling, a slackening in tensions over the contest for leadership of Britain's ruling Conservative party, and the absence of bad news from the Gulf, spurred the UK stock market ahead yesterday by 42.6 FT-SE points to its highest closing level for three months.

Technical factors, including a shortage of stock, a high level of institutional liquidity, and a delay in reporting the start of the new Wall Street session, all helped London to forge ahead, especially towards the end of the day. The undeniable improvement in market sentiment was reflected in a successful deal in which over 12m shares in Prudential Assurance, the major UK insurance group, were snapped up within minutes at a price barely below market levels.

Account Dealing Dates

*First Dealings:		
Nov 5	Nov 19	Dec 10
Option Declarations:		
Nov 15	Dec 6	Dec 27
Last Dealings:		
Nov 16	Dec 7	Dec 28
Account Day:		
Nov 26	Dec 17	Jan 7

*New-time dealings may take place from 8.30 am two business days earlier.

The market looked somewhat uncertain in the early part of the session, easing by a couple of points before gaining a net 31.6 on the Footsie scale in late afternoon, only to slip off the top when first reports showed New York returning on the downside from its Thanksgiving Day holiday. Technical problems in New York then removed Wall Street from London trading screens for an hour, and London was uncertain until the Dow Jones Industrial Average reappeared to show a gain of 9.90 points in London trading hours.

The FT-SE Index closed finally at 2,170.5, a gain of 42.6 on the day to its highest closing level since August 17. Over the week, the first of an extended three-week equity trading account, the FT-SE Index has risen by 102.5 points or almost 5 per cent.

Some traders were somewhat sceptical of yesterday's sharp rise, pointing out that trading volume, as measured by the Seaq electronic network, was lower at 478.8m shares against 498.2m on Thursday. "This is a casino based on a bear squeeze," commented one trader.

Moreover, much of yesterday's trading volume was concentrated in the beta and gamma stocks, the smaller shares in which institutions have little interest. Trading in the market's alpha and Seaq 100 stocks was actually down yesterday.

However, the optimism on interest rate prospects was encouraged by continued firmness in sterling and by a forecast from the National Westminster Bank that UK base rates would fall to 12 per cent by the middle of next year.

Interest rate sensitive stocks such as stores, builders and brewers were sharply higher. A revival of confidence in the electoral prospects of the UK government in the wake of Mrs Thatcher's resignation was reflected in further advances in privatisation stocks, notably the water issues.

The City of London appeared to be relieved that the Conservative party leadership contest can now be resolved soon and without too much further uncertainty – perhaps by Tuesday, and certainly by the end of next week. The stock market appears to favour Mr John Major, the current chancellor of the exchequer, but is convinced that whichever candidate succeeds, interest rate cuts will come down before Christmas and the government's chances of winning the next UK general election will be enhanced.

However, strategists agreed that the stock market remains vulnerable on the two fronts which have been the cause of uncertainty in recent months: the danger of hostilities in the Gulf and the recessionary pressures on UK industry.

FINANCIAL TIMES STOCK INDICES

	Nov 23	Nov 22	Nov 21	Nov 20	Nov 19	Year Ago	1990 High	1990 Low	Since Compilation High	Since Compilation Low
Government Secs	81.88	81.79	81.30	81.10	80.65	84.10	84.20 (2/1)	74.13 (30/4)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	89.09	88.79	88.48	87.27	88.48	92.80	92.91 (8/1)	83.80 (30/4)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1712.2	1672.2	1676.0	1667.1	1648.0	1754.9	1968.3 (3/1)	1510.4 (24/9)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	155.3	156.0	155.2	155.7	155.0	296.7	378.5 (6/2)	155.0 (19/11)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2170.5	2127.9	2128.3	2115.2	2095.9	2222.4	2463.7 (3/1)	1990.2 (28/9)	2463.7 (3/1/90)	986.9 (23/7/84)
FT-SE Eurotrack 100	972.78	972.49	972.47♦	974.19	972.67	-	1000.00 (26/10)	948.81 (8/11)	1000.00 (26/10/90)	948.81 (8/11/90)
Ord. Div. Yield	5.63	5.77	5.76	5.76	5.85	4.85				
Earning Yld %(full)	11.78	12.06	12.06	12.03	12.22	11.88				
P/E Ratio(Net)(☆)	10.28	10.04	10.04	10.06	9.91	10.36				
SEAQ Bargns 4.45pm	26,153	26,952	24,126	24,405	22,369	29,958				
Equity Turnover(£m)†	-	872.65	800.79	863.96	699.11	820.48				
Equity Bargains†	-	24,554	22,339	23,623	20,482	30,024				
Shares Traded (ml)†	-	402.5	378.1	430.0	330.5	389.3				

Basis 100 Govt Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 100 31/8/90. ☆ Nil 10.11 ♦Indicative

Ordinary Share Index, Hourly changes Day's High 1713.7 Day's Low 1671.4

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
1671.7	1679.1	1688.9	1696.2	1701.5	1702.6	1700.3	1699.5	1706.8

FT-SE, Hourly changes Day's High 2172.9 Day's Low 2125.9

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2126.1	2135.8	2147.2	2152.5	2157.7	2158.5	2156.2	2153.7	2164.9

FT-SE Eurotrack 100, hourly changes Day's High 974.92 Day's Low 971.50

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
974.92	974.41	971.97	972.50	973.68	973.63	972.68

GILT EDGED ACTIVITY

Indices*	Nov 22	Nov 21
Gilt Edged Bargains	226.4	156.3
5 – Day average	140.2	116.8

*SE Activity 1974.
†Excluding intra-market business & Overseas turnover.

London report and latest Share index: Tel. 0898 123001

Busy day for shares in the Pru

The bullish tone of the market was highlighted by the apparent ease with which a 12.4m sell order in Prudential Corporation was quickly matched with a buyer. In a transaction which saw the stock sold to agency brokers James Capel, bought by a market maker and placed with buyers, the day's total Pru turnover reached the giddy heights of 43m shares.

The decision to sell such a large holding would normally have been a depressing factor, had it not been for the speed at which a fresh buyer was found. The shares were reported to have changed hands at 200p, and the stock ended 2 higher at 205p.

One analyst suggested that the company's decision earlier this week to seek a buyer for its estate agency arm, Prudential Property Services, has left a gap in the company's market strategy. Until this has been filled, institutional investors were likely to take a more cautious line with the stock. But yesterday demonstrated the appetite of cash rich institutions for quality stock and saw the entire 12.4m block placed in less than five minutes.

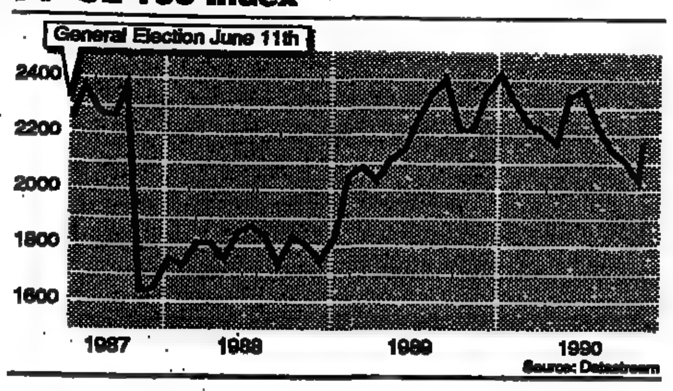
Shell praised

Analysts praised Shell yesterday in the wake of a presentation to securities houses and institutional investors. Mr Fergus MacLeod at County NatWest WoodMac said the company highlighted its intention to improve its return on capital employed (Roce). "Each percentage point on Roce is worth £280m a year to Shell," said Mr MacLeod. He added that the company was optimistic on the prospects for its chemicals operation, a cyclical business that has been hit hard in the world economic downturn.

However, Mr Nick Clayton at Smith New Court interpreted Shell's comments on chemicals differently. "The outlook in the short term will continue to be tough," he said. Mr Clayton nevertheless reiterated his strong buy recommendation on the stock, pointing out that it had a dull performed against the market and other oil majors since Iraq's invasion of Kuwait. He also said the company had signalled a change in its dividend policy: the plan to make real dividend growth a long term target seemed to have become both a short term and long term policy.

Shell climbed 6 to 450p on solid turnover of 4.7m shares.

FT-SE 100 Index



The UK stock market is still struggling to recover the levels at which it stood when Mrs Thatcher was elected, in June 1987, for her last term as prime minister and leader of Britain's ruling Conservative party. After falling heavily together with other world markets in the Crash of October 1987, London recovered strongly in 1989 when inflation and domestic interest rates expectations improved. This year, UK stocks have struggled again as higher interest rates and recessionary pressures have been reflected in lower corporate profits and an increase in UK corporate bankruptcies.

Regaining support

Industrial materials group Cookson appears to be gaining considerable support from institutional investors as it strives to re-establish itself. Dealers spoke again of good buying yesterday – turnover amounted to 5.6m shares – as the shares celebrated a return to three digits. They closed 5 up at 100p. The recovery from the depressed summer lows, which had reflected doubts over whether the company would survive, also reached 100 per cent yesterday.

Cookson's efforts to reduce debt began with the sale of its main asset, a 50 per cent share in Tioxide, to partner ICI. Since then there have been further large disposals, including the sale of its graphics business.

One of the first investment banks to recognise Cookson's recovery potential was County NatWest. Over four weeks ago it changed its stance to buy on the stock, saying Cookson may have to sell more (which it has), but the initial urgency is reduced.

Queens Moat lower

Hotel operator Queens Moat Houses was a rare faller as Goldman Sachs cut profits forecasts for the current year and 1991. Mr Christopher Page at Goldman took £5m from his current year's profit estimate, leaving it at £90m, while next year's figure is cut from £110m to £95m. He cited lower property earnings, slow growth in UK hotels, high interest payments and recent share price outperformance as the reasons for his view that the stock would now underperform the market. Queens Moat lost 3 to 93p.

Reuters climbed 32 to 665p in busy trading. Traders said that buying by UK institutions on Thursday, when Wall Street was closed, left the market short of stock yesterday. There was also vague talk of a possible share buy-back by the company.

Standard & Chartered outperformed an already buoyant banking sector, and closed 16 higher at 278p. Analysts at County NatWest suggested that the shares' recent underperformance made some form of catching up inevitable. While the stock should still be viewed with caution, they added that the risk/reward ratio was beginning to improve.

Leading brewery stocks went with the wider market but trading volumes were generally moderate. Grand Metropolitan, up 24 at 617p, achieved the best gain as the market was squeezed for stock. The group reports annual results on December 6.

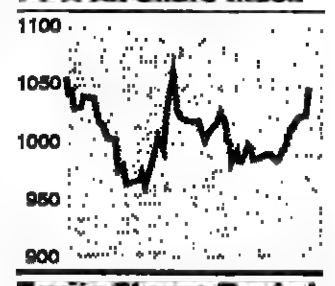
Whitbread also strengthened amid comments from Mr Mike McCarthy at Smith New Court of it probably being the most sensitive stock in the sector to interest rates because of its retail leisure businesses. The "A" shares ended 15 higher at 449p.

Building stocks were mostly firmer as the market reacted to suggestions that UK bank base rates might be cut as early as next month. Redland added 20 at 579p while Costain finished 18 higher at 216p. Housebuilders Crest Nicholson put on 8 to 95p on reports that mortgage lending in on the increase. George Wimpey rose 7 to 222p as the group announced the appointment of Mr J A Dwyer as chief executive.

London International Group rebounded when a large line of stock thought to be overhanging the market was cleared. The stock was sold by the fund managers John Govett, which a few days ago said that its shareholding had been reduced.

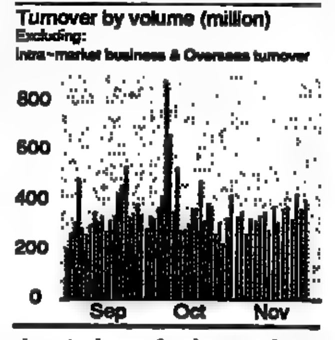
Most of the early buying was done by Hoare Govett. Before visiting the company this week, analysts at the investment bank thought LIG stock was undervalued. Their assessment has not changed and Hoare has urged clients to buy the stock on fundamentals. A squeeze on traders' book positions accelerated the upswing in the shares, finally 12 higher at 235p.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding:
Intra-market business & Overseas turnover



Positive long term views based on the first set of interim results from Courtaulds post-demerger brought a strong response in the shares, up 12 at 330p. Analysts at Smith New Court said: "With a good management team, sound finance and clear objectives, we still back Courtaulds to produce earnings per share growth over this year and next."

Engineering issues were helped by the market's uptrend. Davy made a strong comeback in the wake of disappointing results announcement on Thursday, rising 23 to 98p. The issue attracted a recommendation by BZW just after the company announced that profits for the half-year had fallen 24 per cent and that it would pass its interim dividend.

Electronics issues put in a firm performance, although rises in share prices were not reflected in high turnover.

British Telecom gained from the general investment emphasis on large British companies against the background of a growing optimism of a Conservative party victory in the next general election, said Mr Martin Mabutt at Nomura.

Tate & Lyle rose 7 to 285p ahead of its final results on Wednesday. Henderson Crosthwaite expects £215m profits against £200m last time. Booker gained 8 to 426p as a squeeze developed. There was also speculation that it may sell Jus-Rol, its recently acquired frozen pastry business, to Nestlé. Dalgety fell 3 to 347p after a small line of stock was offered.

Ratners gained 11 to 195p after Williams de Broe recommended the stock, saying that it had been oversold.

British Gas continued to benefit from Thursday's bigger than expected 17 per cent increase in its interim dividend. The shares climbed 5½ to 241½p, an all-time high relative to the FT All-Share Index, making a two-day improvement of 12. Turnover was again heavy at 11m.

Water shares continued to benefit from the double boost of strong dividend expectations and reduced fears of a return to public ownership. Traders were waiting for a string of half year figures starting on Monday with interims from Northumbrian Water. The share price finished 16 higher at 279p.

Philip Coggan

■ Other market statistics, including the FT-Actuaries Share Index and London Traded Options, Page 13.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
ADT	265	111	+2	Cookson	5,600	100	+5	MEPC	948	521	+11	Smith & Nephew	1,600	108	-½
ASDA Group	1,400	128		Courtaulds	1,600	330	+12	Manpower	0	48		SmKl Beecham	567	597	+8
Abbey National	2,300	227		Dalgety	1,000	347	-3	Marks & Spencer	2,100	242	+1	SmKl Beecham Uts.	52	563	+23
Allied-Lyons	1,430	504	+14	Dixons	2,800	156	+6	Maxwell Comms.	8,500	144	+4½	Smiths Inds.	50	228	+4
Amstrad	2,100	87	+1	ECC Group	213	324	+10	Midland Bank	2,800	200	+6	South West Water	1,700	265	+10
Anglian Water	3,900	265	+8	Enterprise Oil	337	608	-2	NatWest Bank	1,600	285	+10	Southern Water	1,100	297	+11
Argos	399	288	+4	FKI	1,100	62	+2	Next	3,100	28½	+½	Standard Chartd.	1,600	278	+16
Argyll Group	2,400	342	+1	Ferranti	403	17		North West Water	2,900	394	+15	Storehouse	4,400	126	-1
Ass. Brit. Foods	345	408	+3	Fisons	1,400	371	+3	Northern Foods	865	350	+1	Sun Alliance	497	339	+5
BAA	1,200	408	+11	Gen. Accident	564	502	+17	Northumbrian Water	467	279	+16	Sun Life	25	1050	+12
BAT Inds.	4,700	576	+16	General Elect.	6,100	195	+5	Pearson	707	667	+17	T&N	443	159	+8
BET	2,500	192	+8	Glaxo	1,300	801	+11	P & O	616	534	+12	TI Group	2,300	429	+7
BICC	1,300	347	+10	Glynwed Int.	469	210	+7	Pilkington	2,100	150	+11	TSB	2,100	136	
BOC	628	498	+12	Granada	1,100	172	+10	Prudential	43,000	205	+2	Tarmac	2,600	249	+6
BPB Inds.	799	186	+7	Grand Met.	2,100	617	+24	RHM	2,200	279	+4	Tate & Lyle	2,000	285	+7
BTR	2,200	324	+10	GUS A	212	1144	+19	RMC	641	660	+11	Taylor Woodrow	105	234	+11
Bank of Scotland	1,300	120	+6	GRE	1,600	200	+5	RTZ	1,800	456	+12	Tesco	2,300	231	-2
Barclays	2,100	395	+13	GKN	532	332	+12	Racal	3,900	194	+5½	Thames Water	1,100	299	+8
Bass	339	1037	+28	Guinness	683	783	+13	Racal Telecom	2,800	394	+10	Thorn EMI	724	687	+11
Beazer	230	98	+1	Hammerson 'A'	116	595	+5	Rank Org.	310	652	+6	Trafalgar House	2,400	176	+1
Beresford Int.	25	27		Hanson	8,700	195½	+2	Reckitt & Colman	211	1249	+4	Trusthouse Forte	1,300	270	+8
Blue Circle	1,500	227	+13	Hanson Warrants	1,300	38½	+1	Redland	1,600	579	+20	Ultramar	395	344	+2
Boots	3,000	344	+6	Harrisons Crosfield	703	144	+7	Reed Intl.	1,000	330	+5	Unigate	409	274	+5
Brit. Aerospace	898	537	+3	Hawker Sidd.	869	493	+7	Reuters	1,200	665	+32	Unilever	576	887	+8
British Airways	891	142	+3	Hillsdown	1,600	285	+1	Rolls Royce	5,700	164½	+1½	United Biscuits	746	320	+2
British Gas	11,000	241½	+5½	IMI	149	211	+3	Rothmans	497	710	+8	Utd. Newspapers	110	306	+2
British Land	261	226	+3	ICI	656	914	+20	Ryl Bk Scotland	1,700	189	+5	Water Package Uts.	1	£2563	+60
BP	5,000	335	+3	Inchcape	599	390	+5	Royal Insurance	1,100	413	+15	Wellcome	675	395	+7
British Steel	10,000	119	+3½	Kingfisher	2,600	404	+12	STC	154	317		Welsh Water	646	275	+9
British Telecom	7,300	294	+10	Ladbroke	3,700	278	+7½	Saatchi	278	37		Wessex Water	746	253	+12
Bunzl	25	65		Land Securities	1,000	540	+9	Sainsbury	1,300	297		Whitbread 'A'	1,200	449	+15
Burmah Castrol	684	465	+17	Laporte	69	496	+8	Scottish & New	848	391	+10	Wiggins Teape	1,300	174	+3
Burton	2,600	89	+2	Legal & General	1,000	391	+4	Sears	6,800	92	+3½	Williams Hldgs.	649	336	+6
Cable & Wire.	1,900	492	+11	Lloyds Abbey	1,300	347	+18	Sedgwick	261	231	+3	Willis Corroon	700	238	+7
Cadburys	3,000	332	+3	Lloyds Bank	3,900	292		Severn Trent Water	3,500	299	+12	Wimpey	286	222	+7
Calor Group	42	218	+2	LASMO	722	481	+2	Shell Transport	4,700	450	+6	Yorkshire Water	305	287	+12
Carlton Comms.	899	329	+8	Lonrho	688	215	+2	Siebe	1,300	391	+9				
Coats Viyella	680	119	+1	Lucas	1,400	194	+3	Slough Ests	95	249	+7				
Comm. Union	375	467	+6	MB Caradon	2,100	172	+1	Smith (W.H.) A	172	289	+8				

Based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 4.30pm.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	09/92	103-24	+02/32	11.14	11.37	11.77
		9.000	03/00	89-08	+13/32	10.86	11.25	11.37
		9.000	10/08	87-14	+14/32	10.57	10.91	10.92
US TREASURY *		8.500	08/00	101-14	-02/32	8.28	8.29	8.67
		8.750	08/20	103-07	-04/32	8.45	8.44	8.81
JAPAN	No 119	4.800	6/99	85.9343	-0.104	7.48	7.70	7.81
	No 129	6.400	03/00	96.5646	+0.002	7.20	7.36	7.51
GERMANY		9.000	10/00	101.2000	-0.400	8.81	8.93	8.96
FRANCE	BTAN	9.000	11/95	95.7522	+0.112	10.12	10.28	10.15
	OAT	9.500	03/00	90.9100	+0.210	10.02	10.25	10.24
CANADA *		10.500	07/00	100.2500	-0.050	10.45	10.52	11.22
NETHERLANDS		9.250	11/00	101.3100	+0.040	9.05	9.14	9.18
AUSTRALIA		13.000	07/00	104.4611	-0.174	12.19	12.44	13.29

London closing, *denotes New York morning session
Yields: Local market standard. Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

LEADERS AND LAGGARDS

Percentage changes since December 29 1989 based on Thursday November 22

Water	+	6.28	Insurance(Composite)	-	18.71
Stores	+	3.18	Metals & Metal Forming	-	18.72
Brewers and Distillers	-	1.27	Insurance(Brokers)	-	19.05
Food Retailing	-	2.27	Textiles	-	20.29
Oil & Gas	-	6.31	Property	-	20.74
Consumer Group	-	9.49	Conglomerates	-	21.32
Packaging & Paper	-	9.86	Transport	-	21.90
Telephone Networks	-	10.34	Investment Trusts	-	22.33
Insurance(Life)	-	11.20	Capital Goods	-	22.99
Health & Household Products	-	11.65	Publishing & Printing	-	23.51
Food Manufacturing	-	13.31	Contracting,Construction	-	25.78
500 Share Index	-	14.22	Overseas Traders	-	25.91
Banks	-	14.34	Motors	-	25.95
All Share Index	-	15.01	Leisure	-	27.03
Industrial Group	-	15.55	Engineering-General	-	27.19
Building Materials	-	15.80	Merchant Banks	-	28.17
Chemicals	-	16.23	Electricals	-	29.19
Electronics	-	16.48	Other Industrial Materials	-	30.61
Engineering-Aerospace	-	16.80	Agencies	-	41.69
Financial Group	-	17.25	Gold Mines Index	-	49.53
Other Groups	-	18.16			

NEW HIGHS AND LOWS FOR 1990

NEW HIGHS (38).
BRITISH FUNDS (15) BUILDINGS (3) CHEMICALS (1) STORES (1) INDUSTRIALS (6) Apollo Metals, Betterware Cons. Prods., Boots, Sanders & Sidney, TRUSTS (8) WATER (6).
NEW LOWS (39).
AMERICANS (1) CANADIANS (3) BUILDINGS (3) STORES (4) ELECTRICALS (7) ENGINEERING (1) HOTELS (1) INDUSTRIALS (13) American Business Systems, Black Arrow, CSR, Computer People, Cosalt, Dean & Bowes, Electrolux, Eurocopy, Expamet Intl., Glevum, Platon Intl., Suter, Whitecroft, LEISURE (3) PAPERS (4) PROPERTY (5) TRANSPORT (2) TRUSTS (5) OILS (1) MINES (3) THIRD MARKET (2).

RISES AND FALLS YESTERDAY

	On Friday Rises	On Friday Falls	On Friday Same	On the week Rises	On the week Falls	On the week Same
British Funds	72	2	12	384	2	44
Corps, Dom. & Foreign Bonds	10	0	11	37	3	65
Industrials	455	201	893	1,947	1,249	4,541
Financial and Props	209	91	444	993	539	2,180
Oils	30	16	45	142	89	224
Plantations	1	2	7	11	6	33
Mines	17	22	113	113	139	508
Others	28	23	129	261	245	488
Totals	822	357	1,654	3,888	2,272	8,083

COMMODITIES

WEEK IN THE MARKETS

Platinum up sharply on SA sackings

THE SACKING of striking mine workers in South Africa sparked off a sharp rally in the platinum market late this week, and the gold price was drawn higher in its wake. But traders thought the scale of the rise – $18.90 a troy ounce in two days – owed more to the thinness of the market than to the volume of buying.

Thursday's news that Lebowa Platinum Mines, in which Rustenburg Platinum Holdings has a significant stake, had dismissed 1,200 of its 1,700 workers helped to lift the London bullion market price by $8.50 on that day. And the screw was given another turn yesterday by US traders returning from the Thanksgiving holiday, taking the price up a further $11.50 to $432.75 an ounce, up $9.75 on the week.

Lebowa's annual production of about 100,000 tonnes represents just under 3 per cent of western world supplies, but dealers were not too alarmed to hear of the sackings. "It's normal South African labour relations to sack the workers and take them back later," commented Mr Andy Smith, precious metals analyst with UBS-Phillips and Drew. But Ord Minnett's market report said the move, which it described as "another example of South Africa's unique industrial relations style," would "obviously result in some degree of lost production," while also threatening the company's expansion plans.

An analyst at Shearson Lehman Brothers explained yesterday that the recent low level of trade in the metal meant that little buying or selling was needed to push the market quite sharply in either direction. He said Swiss traders were attracted into the market following the early upsurge in New York and that the trend was exaggerated as operators who had sold the market short, in the hope of buying back later at a profit, scrambled to cover their positions.

LME WAREHOUSE STOCKS
(As at Thursday's close)
tonnes

Aluminium	+11,775	to 309,675
Copper	-200	to 178,250
Lead	-825	to 48,775
Nickel	-774	to 2,724
Zinc	-2,975	to 60,450
Tin	+955	to 12,080

Other precious metals moved higher in sympathy. Gold put on another $4 at $384.25 a troy ounce, taking the rise on the week to $7.75 an ounce, while palladium gained 85 cents at $94 an ounce.

At the London Metal Exchange the main feature of the week was a steep slide in nickel prices as bearish fundamental factors and rumours that a substantial Soviet shipment was imminent outweighed a big fall in exchange warehouse stocks – by 1,386 tonnes to 2,724 tonnes. The cash price ended $762.50 lower on the week at $8,075 a tonne, while the cash premium over three months metal narrowed by $212.50 to $112.50 a tonne.

Some analysts, however, feel the nickel market has fallen far enough. Mr David Reynolds of London broker Rudolf Wolff commented this week: "Current nickel prices are looking increasingly attractive, especially to European and Japanese consumers who are enjoying favourable currency rates with recent dollar weakness." He also noted that steel production was remaining buoyant, in spite of recession fears, with October figures from the International Iron and Steel Institute showing increases in the US and Japan balanced by falls in Germany.

Hopes among aluminium traders that the recent dramatic build-up in LME stocks of the metal level was nearly over were given further encouragement on Tuesday when the exchange reported a smaller-than-forecast rise of 3,100 tonnes. But yesterday's report dealt a fresh blow to those hopes with an 11,775-tonne rise to a record 309,675 tonnes. In response the cash price closed $29 lower at $1,556 a tonne, $29.50 down on the week.

The cash lead price ended £22 down on the week at £345 a tonne, with the three months position £17.25 down at a 19-month low of £352.75 a tonne. Most of the fall happened on Monday, when a wave of commission house selling and trade liquidation touched off stop-loss selling orders wiped £15.50 off the cash price and £12.25 off the three months quotation. Dealers explained that physical demand was slow for the time of year – when car battery sales would normally be picking up – and chart patterns appeared bearish.

At the London Futures and Options Exchange sugar prices were lifted towards the end of the week by reports of reduced Soviet production and an imminent Mexican purchase. But news that Moscow had bought 20,000 tonnes of Ivory Coast beans for September shipment had little impact on cocoa prices. Reports from Abidjan, the Ivorian capital, said the Soviets were negotiating for a larger deal over five years.

Richard Mooney

APPOINTMENTS

Royal Bank of Scotland changes

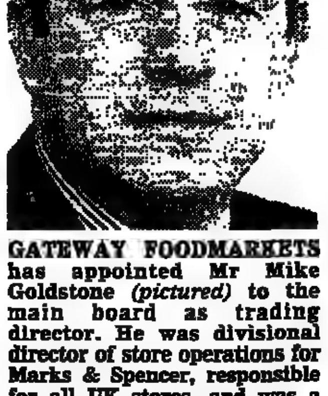
■ The reorganisation at THE ROYAL BANK OF SCOTLAND GROUP, reported yesterday, included the following changes: Mr Tony Schofield, general manager, Manchester, becomes managing director, branch banking division, Edinburgh; Mr John Barclay, executive director, international banking, becomes managing director, corporate and institutional banking division, London; Mr Peter Wood, in addition to his post as chief executive of direct line insurance, becomes managing director, financial services division. Mr Norman McLuskie, assistant director finance, becomes managing director, operations division, Edinburgh.

■ LEO BURNETT has appointed Mr Guy Walker as financial director from December 17. He was finance director of Still Price Court Twivy D'Souza/Lintas.

■ The POTATO MARKETING BOARD has appointed Mr Alasdair Fairbairn as chief executive from December 3. He was general manager and director of LRC Overseas, a division of London International Group.

■ SWISS BANK CORPORATION has appointed Mr Christopher Lindsay as associate director in the equities group, London, from December 10. He was with UBS Phillips & Drew.

■ GRUNDIG UK has appointed Mr Steve Owens as managing director from December 21. He was sales and marketing director with DER, and succeeds Mr Koen van Driel who is joining SES (Astra) in Luxembourg on January 1.



GATEWAY FOODMARKETS has appointed Mr Mike Goldstone *(pictured)* to the main board as trading director. He was divisional director of store operations for Marks & Spencer, responsible for all UK stores, and was a member of the team that purchased Brooks Brothers and Kings in the US. Mr Roger Reeson has resigned as a director of Gateway to pursue other interests.

■ PHILIPS TELECOM has appointed Mr Roger Huckerby as sales and marketing director for two of its newly-created UK groups: cable transmission and network access, and datacommunications.

■ Mr John Roques has been appointed a non-executive director of BRITISH NUCLEAR FUELS. He is managing partner and chief executive of Touche Ross & Co.

■ Mr Alan D. Beale has been appointed a non-executive director of AMBRIT INTERNATIONAL. He recently retired from Barclays Bank where he was corporate finance director, energy and utilities department.

■ J.O. HAMBRO MAGAN & CO has appointed Mr Julian Knights as a director. He joins from Hill Samuel Bank where he was a director in corporate finance.

■ MINET INSURANCE BROKERS (UK) HOLDINGS has appointed Mr Danny O'Brien as deputy chief executive.

Mr Logan Taylor *(pictured)*, trading director, has been promoted to managing director, marketing and trading, at SAFEWAY, a new post. He also joins the board of parent company Argyll Group.

■ GEC FERRANTI, Edinburgh, has appointed Mr Alan McNeilage as financial director. He was finance director and company secretary at Yarrow Shipbuilders.

■ ROTHMANS INTERNATIONAL has appointed Mr E.J. Verloop as a non-executive director. He is chairman of the supervisory board of the company's Dutch subsidiary, Turmac Tobacco Company, and a former director of both Unilever NV and Unilever PLC.

■ Mr Jeffrey Trendell has been appointed group managing director of SYNAPSE COMPUTER SERVICES from November 27. He was chairman of Data 3 Systems Inc in the US.

■ Mr M.R. Warner has been appointed chief executive of DUNTON GROUP. Mr A.L. Ward has resigned from all group companies to pursue his own business interests.

■ Mr Michael Abrahams has been appointed managing director of GABICCI, taking over from Mr Jack Sofier who remains chairman. Mr Sofier had combined both posts. Mr Abrahams is finance director and will combine both functions until a new finance director is appointed.

Sir Crispin Tickell *(pictured)* has been elected to the board of IBM UNITED KINGDOM. He was ambassador to the United Nations before his retirement last September.

FT MANAGED FUNDS SERVICE

● Current Unit Trust Prices are available on FT Cityline. To obtain your free Unit Trust Code Booklet ring the FT Cityline help desk on 071-925-2128

AUTHORISED UNIT TRUSTS

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro

INITIAL CHARGE: [illegible]

OFFER PRICE: Also called issue price. [illegible]

BID PRICE: Also called redemption price. [illegible]

CANCELLATION PRICE: [illegible]

TIME: [illegible]

HISTORIC PRICING: [illegible]

FORWARD PRICING: [illegible]

SCHEME PARTICULARS AND REPORTS: [illegible]

[illegible]

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INSURANCES

OTHER UK UNIT TRUSTS

Continued on next page

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Philip Coggan

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National Provident Institution
48 Gracechurch St London EC3P 3HH 071-623 4200

	Bid Price	Offer Price	+ or -	Yield Gross
Managed	305 9	322 1	+1.7	-
UK Equity	385 8	406 2	+3 6	-
Overseas Eq	285 6	300 7	-0.3	-
Americas	206 7	217 6	+1 0	-
Far East	298 6	314 4	+1.5	-
Property	193 1	203 3	+0 [illegible]	-
Fixed Int	238 1	250 7	+0.2	-
Indexed Gilt	149 4	157 3	..	-
Deposit	172 7	181 8	...	-
Pension Fund (Accum Units)				
Managed	423 7	446 0	+2.2	-
UK Equity	493 6	519 6	[illegible]	-
Overseas Eq	[illegible]	492 5	-0 9	-
Americas	272 4	286 8	+0 1	-
Far East	497 1	523 3	-0.6	-
Property	240 1	252 8	+0 9	-
Fixed Int	289 2	304 5	......	-
Indexed Gilt	164 3	173 0		-
Deposit	237 8	250 4	+0.1	-
NPI Pensions Management Ltd				
Managed Fund	928 8	945 4	...	-

Prices Nov 1 Next dealing Dec 3

Norwich Union Asset Management Ltd
PO Box 140 Norwich NR3 1PP 0603 686787

	Bid Price	Offer Price	+ or -	Yield Gross
NUAM Funds				
Managed Fund	62 1	65 3	+0.2	-
Stock Market Mngd Fund	58 2	61 3	+0 3	-
Equity Fund	[illegible]	70 8	+0 6	-
International Fund	[illegible]	53 1		-
European Fund	61 1	64 3	-0.3	-
North American Fund	47 9	50 4		-
Pacific Fund	50.4	53 1	-0 1	-
Property Fund	86 8	91 4	+0 1	-
Fixed Interest Fund	53 9	56 8	+0 1	-
Index linked Sec Fund	60.6	63 8	+0 1	-
Deposit Fund	66.3	69.8		-
NUAM Retirement Plans				
Mixed Fund	67 5	71 1	+0 3	-
UK Ordinary Share Fd	77 7	81.8	[illegible]	-
International Fund	54 7	57 6	.	-
Property Fund	84 1	88.5	..	-
Fixed Interest Fund	64.6	68.0	[illegible]	-

Providence Capital Life Assc. Co Ltd — Contd.

	Bid Price
Total Investment Bond	
UK Equity Initial	134 1
UK Fixed Int Initial	110.6
Intl Equities Initial	102 4
UK Managed Initial	107 0
Property Initial	164 6
Money Initial	84 6
Special Market Initial	94 1
Japan Equity Initial	71 6
North American Initial	61 9
Pacific Initial	58 3
Technology Initial	80 0
Nat Resources Initial	40 7
European Initial	82.6
Residential Prop Init	93.7
Swiss Equities Initial	29.7
Hong Kong Initial	43 6
UK High Inc Eq Init.	60.3
Int Fixed Interest Init.	50.5
Int Managed Init.	49.4
HIP Managed Init.	95 8
HIP Managed II Initial	86.1
Broker Funds	
High Performance	61 4
Towerhill Mngd Fd Acc.	35.3
YRA Executive Fd.	82.4
£ Global Growth Acc.	110.5
£ High Income Mgmt Acc.	133.2
IM Balanced	46 7
H F Speculator Fd	113 0
PEP Growth	103 4
PEP Cautionary	67.0
AAFS Int Man Fund	109.3
Andrews-Green Inv Port.	[illegible]
Individual Pension Funds	
UK Equity Acc.	211.9
UK Fixed Interest Acc.	201 1
Intl Equities Acc	191 7
UK Managed Acc.	168 5
Property Acc.	209 8
Money Acc.	151 1
Special Market Acc.	189 6
Japan Equity Acc.	145.2
North American Acc.	97.6

Skandia Life Assurance Co Ltd—Contd.

Sun Alliance Group—Contd.

Windsor Life Assur Co Ltd
Windsor House Telford, Shropshire 0952 292929

Sun Alliance International Life
PO Box 77, New St, St Peter Port, Guernsey 0481 714108

Target International Group
1 rue Emile Bian, Luxembourg Tlx 2809 Tel 4050751

J. D. Ward Financial Services Ltd
9 Kingsway, London, WC2 6XF 01-836 4321

	Bid Price	Offer Price	+ or -	Yield Gross
Target Mngd Bond	112.8	118 8	+0 1	-
Target Mngd Pension	166 3	175 0		-
Albany Life Acc.	206 1	216 9		-
Albany Pens Acs				

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

OFFSHORE INSURANCES

MANAGEMENT SERVICES

GUERNSEY (REGULATED)

FT MANAGED FUNDS SERVICE

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IRELAND (SIB RECOGNISED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

WORLD STOCK MARKETS

US MARKETS (3pm) — [illegible]

AUSTRIA — [illegible]

BELGIUM/LUXEMBOURG — [illegible]

DENMARK — [illegible]

FINLAND — [illegible]

FRANCE — [illegible]

GERMANY — [illegible]

ITALY — [illegible]

NETHERLANDS — [illegible]

NORWAY — [illegible]

SPAIN — [illegible]

SWEDEN — [illegible]

SWITZERLAND — [illegible]

SOUTH AFRICA — [illegible]

CANADA (3pm) — [illegible]

JAPAN — [illegible]

AUSTRALIA — [illegible]

HONG KONG — [illegible]

MALAYSIA — [illegible]

SINGAPORE — [illegible]

INDICES

NEW YORK

DOW JONES	Nov 22	Nov. 21	Nov. 20	Nov. 19	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	(c)	2539.36	2530.20	2565.35	2999.75 (16/7)	2365.10 (11/10)	2999.75 (16/7/90)	41.22 (2/7/32)
Home Bonds	(c)	90.10	90.21	90.15	93.04 (3/1)	88.44 (24/9)	—	—
Transport	(c)	849.85	853.00	867.79	1212.77 (6/6)	821.93 (17/10)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	(c)	208.69	207.05	208.69	236.23 (2/1)	190.96 (24/8)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High - (2552.23) Low - (2502.72)

STANDARD AND POOR'S

	Nov 22	Nov. 21	Nov. 20	Nov. 19	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	(c)	316.03	315.31	319.34	368.95 (16/7)	295.46 (11/10)	368.95 (16/7/90)	4.40 (1/6/32)
Industrials	(c)	370.68	369.66	374.31	437.37 (16/7)	346.86 (11/10)	437.37 (16/7/90)	3.62 (21/6/32)
Financial	(c)	21.46	21.71	22.27	31.87 (3/1)	18.80 (29/10)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	(c)	172.73	172.48	174.34	201.13 (16/7)	162.20 (11/10)	201.13 (16/7/90)	4.46 (25/4/42)
Amex Mkt. Value	(c)	295.58	296.01	296.47	382.45 (5/1)	288.07 (30/10)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	(c)	348.77	348.29	352.73	469.60 (16/7)	325.44 (16/10)	485.73 (9/10/89)	54.87 (31/10/72)

	Nov. 16	Nov. 9	Nov. 2	year ago (approx.)
Dow Industrial Div. Yield	4.01	4.09	4.08	3.93

	Nov.14	Nov. 7	Oct.31	year ago (approx.)
S & P Industrial div. yield	3.39	3.55	3.54	2.97
S & P Ind. P/E ratio	15.47	14.48	14.43	14.25

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
Boeing	2,688,900	44¼	+ 1⅝
Nat. Semi	2,324,900	4⅛	+ ⅛
Fannie Mae	2,012,700	30⅝	- 1
C & S/Sovran	1,775,200	16⅜	- ⅜
Citicorp	1,539,300	12⅝	- ⅛
Texas Ut.	1,499,100	37⅞	+ ½
MCA	1,483,200	68½	+ 1⅛
Am. Express	1,424,700	19⅜	- ⅜
Philip Morris	1,424,100	48⅜	+ ⅛
Lilly (Eli)	1,341,000	68½	+ 2½

TRADING ACTIVITY

† Volume (Millions)	Nov. 22	Nov 21	Nov 20
New York	-	140.660	161.170
Amex	-	11.860	10.455
NASDAQ	-	116.666	126.683
Issues Traded	-	1,969	1,997
Rises	-	709	508
Falls	-	740	1,028
Unchanged	-	520	461
New Highs	-	6	7
New Lows	-	55	53

CANADA

TORONTO	Nov. 22	Nov 21	Nov. 20	Nov. 19	1990 HIGH	1990 LOW
Metals & Minerals	2568.41	2556.58	2561.76	2571.69	3453.05 (4/1)	2486.60 (8/11)
Composite	3103.81	3103.10	3107.20	3132.99	4009.47 (3/1)	3009.91 (16/10)
MONTREAL Portfolio	1658.05	1659.03	1666.10	1677.48	2060.90 (3/1)	1607.24 (16/10)

Base values of all indices are 100 except NYSE All Common – 50, Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds; ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable

	Nov 23	Nov 22	Nov. 21	Nov. 20	1990 HIGH	1990 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1366.6	1368.6	1374.1	1365.5	1713.7 (12/1)	1291.2 (2/11)
All Mining (1/1/80)	635.9	637.7	639.8	639.7	860.8 (5/1)	627.2 (2/11)
AUSTRIA						
Credit Aktien (30/12/84)	454.87	454.26	453.61	454.83	703.29 (19/3)	400.98 (25/9)
BELGIUM						
Brussels SE (Cash Mkt) (1/1/80)	5095.55	5108.63	5096.37	5121.11	6699.43 (12/1)	4959.99 (25/9)
DENMARK						
Copenhagen SE (3/1/83)	325.12	331.88	332.06	334.27	388.29 (20/7)	325.12 (23/11)
FINLAND						
Unitas General (1975)	412.1	410.5	409.5	410.2	677.3 (23/1)	398.9 (24/10)
FRANCE						
CAC General (31/12/82)	432.37	438.55	425.00	430.12	564.62 (30/5)	410.18 (26/9)
CAC 40 (31/12/87)	1640.06	1639.68	1626.97	1633.15	2129.32 (20/4)	1485.39 (25/9)
GERMANY						
FAZ Aktien (31/12/58)	639.33	646.55	(c)	633.04	832.32 (19/7)	569.69 (28/9)
Commerzbank (1/12/53)	1816.7	1838.2	(c)	1798.2	2414.0 (3/4)	1628.7 (28/9)
DAX (30/12/87)	1483.36	1496.10	(c)	1467.30	1968.55 (30/3)	1334.89 (28/9)
HONG KONG						
Hang Seng Bank (31/7/64)	3016.06	3023.08	3013.66	3031.92	3559.89 (23/7)	2738.24 (1/2)
IRELAND						
ISEQ Overall (4/1/88)	1211.43	1225.39	1222.77	1233.11	1893.10 (22/1)	1205.35 (16/11)
ITALY						
Banca Com. Ital. (1972)	521.44	517.50	(u)	(u)	763.52 (14/6)	517.50 (22/11)
JAPAN						
Nikkei (16/5/49)	(c)	23400.28	22816.99	23205.48	38712.88 (4/1)	20221.86 (1/10)
Tokyo SE (Topix) (4/1/68)	(c)	1727.66	1688.53	1719.79	2867.70 (4/1)	1523.43 (1/10)
2nd Section (4/1/68)	(c)	3024.50	3024.31	3079.06	4477.36 (16/7)	2859.49 (1/10)
MALAYSIA						
KLSE Composite (4/4/86)	475.64	476.26	475.71	477.69	632.22 (1/8)	459.08 (28/9)
NETHERLANDS						
CBS Tti Rtn Gen (End 1983)	229.7	228.3	229.1	229.2	271.9 (20/7)	225.6 (8/11)
CBS All Shr (End 1983)	168.4	167.3	167.9	168.0	206.3 (3/1)	165.6 (8/11)
NORWAY						
Oslo SE (Ind) (2/1/83)	667.68	664.15	653.46	667.15	915.13 (2/8)	653.46 (21/11)
PHILIPPINES						
Manila Comp (2/1/85)	643.75	653.75	663.89	677.30	1160.70 (21/3)	514.80 (5/10)
SINGAPORE						
SES All-Singapore (2/4/75)	313.90	313.36	311.49	312.26	446.87 (16/7)	301.45 (11/10)
SOUTH AFRICA						
JSE Gold (28/9/78)	1236.04	1242.0	1243.0	1274.0	2230.0 (16/1)	1236.0 (23/11)
JSE Industrial (28/9/78)	2763.04	2767.0	2772.0	2777.0	3211.0 (6/2)	2640.0 (1/10)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	679.99	679.83	671.70	674.25	928.82 (4/1)	566.27 (17/9)
SPAIN						
Madrid SE (30/12/85)	230.94	232.21	231.91	232.62	309.74 (16/7)	209.37 (28/9)
SWEDEN						
Affärsvärlden Gen. (1/2/37)	828.7	838.6	843.1	855.9	1329.9 (5/7)	828.7 (23/11)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	625.2	627.8	632.4	634.6	845.5 (13/7)	613.4 (28/9)
SBC General (1/4/87)	519.4	520.2	522.9	524.0	698.2 (13/7)	512.4 (28/9)
TAIWAN**						
Weighted Price (30/6/66)	4926.39	4614.07	4349.69	4277.95	12495.34 (10/2)	2560.47 (1/10)
THAILAND						
Bangkok SET (30/4/75)	638.95	642.28	643.86	652.72	1143.78 (25/7)	613.95 (25/9)
WORLD						
M.S. Capital Intl. (1/1/70) (‡)	464.7°	464.8	460.6	461.4	571.0 (4/1)	423.1 (28/9)

**Saturday November 17: Taiwan Weighted Price 4073.74 Korea Comp Ex. 691.98

‡ Subject to official recalculation. °Calculated at 15.00 GMT.

Base values of all indices are 100 except Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500. (c) Closed. (u) Unavailable

هكذا من الأصل

WORLD STOCK MARKETS

AMERICA

Dow oscillates after temporary power failure

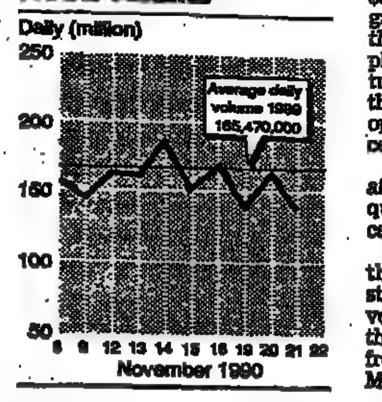
Wall Street

US EQUITIES oscillated between modest losses and gains yesterday morning in an unusual session that was marked by the severe shortage of investor interest and a power failure which halted trading for more than one and a half hours, *writes Patrick Harverson in New York.*

At 1.30 pm the Dow Jones Industrial Average was up 1.48 at 2,540.84. The Dow had opened lower, then recovered to stand nearly 10 points better at midday, before slipping back into the red at 1 pm.

There were similar fluctuations in other indices. At 1 pm the Standard & Poor's 500 index showed a loss of 0.22 at

NYSE volume



315.81 after earlier gains, while the American SE Composite was also a touch lower, down 0.25 at 295.33.

Trading was light, partly because of the power failure, but primarily because many brokers and investors had extended Thursday's Thanksgiving holiday.

The few analysts at their desks yesterday morning said that technical factors contributed most to the midday 10-point rise in the Dow. One said the gains in blue chips were due to an "inventory rally". This is when, during quiet days, dealers who are long of stock mark up prices to improve their inventory positions at the end of the day.

MCA was once again a feature amid renewed speculation surrounding its takeover by Japan's Matsushita. MCA fell $2⅝ to $65⅞ on reports that the two groups are close to negotiating a sale price of between $70 and $75 for each MCA share. This compared with the $80 a share that some in the market had been hoping for.

The largest fall of the session was in the shares of Child World, the retail toy store chain, which lost almost 50 per cent of their value after the $14-a-share bid by Trefoil Capital Investors collapsed over the failure to agree conditions. Child World ended the morning down $4⅛ at $5¼ in busy trading.

Another large decline was posted by Lattice Semiconductor, down $4 at $6¼ on volume eight times the daily average. The fall came in the wake of a third-quarter profits warning issued by the company late on Wednesday. Several analysts have since downgraded their ratings and earnings estimates for Lattice.

Advanced Micro Devices, $⅛ easier at $4⅛, and Altera, $⅜ lower at $9¼, were dragged down by the Lattice story.

Apple Computers rose $⅜ to $36½ and VLSI Technology gained $⅛ to $4¾ on the news that the two companies are planning a three-way joint venture with Acorn Computers of the UK to invest in the development of advanced microprocessors.

Ameritrust fell $⅝ to $9⅝ after announcing a cut in the quarterly dividend from 32 cents to 16 cents a share.

MCI Communications was the busiest over-the-counter stock, rising $⅛ to $20⅛ on volume of almost 2m shares on the back of a recommendation from Baltimore brokers Legg Mason.

Canada

BANKS AND financial services shares led a climb in Toronto stocks, after Canada's six major banks cut their prime lending rates to 13.25 per cent. A further cut is expected before the new year. The composite index gained 20.3 to 3,124.1 on volume of 8.14m shares. Advances led declines by 216 to 189.

Analysts warned that it would take several month before the beneficial effects of lower interest rates on the economy and on corporate profits began to show.

Bombardier class B shares rose C$⅛ to C$14⅝. The company said it was waiting for a decision on a US railcar order worth about $190m.

SOUTH AFRICA

A STRONG financial rand undermined Johannesburg, but gold shares came off their early lows as world bullion prices recovered. The all-gold index closed 6 down at 1,236 but off a low of 1,218. The all-share index fell 11 to 2,574.

Insurers and publishers raise Dutch temperature

The merger plans of Nat-Ned and NMB Postbank have revived interest, writes Ronald van de Krol

THE DUTCH insurance sector has stolen the limelight on the Amsterdam Stock Exchange so far this month, as investors and traders have pondered the merits of the planned merger between Nationale-Nederlanden, the country's biggest insurer, and NMB Postbank, the third largest Dutch bank.

Over the past week, however, a flurry of corporate news from publishers – as well as some words of comfort from Philips, the electronics group – have helped to revive interest in other sectors, rescuing the bourse from some of the listlessness which had plagued it earlier in the month.

At the close of trading yesterday, the CBS Tendency index stood at 96.6, down 0.3 on the day but up slightly from 94.7, the level at which it started the month, with most of the gains coming in the past few days. In spite of this rise, the Amsterdam bourse is still well below its 1990 pre-Kuwait high of 122.6, reached two weeks before the Middle East crisis began.

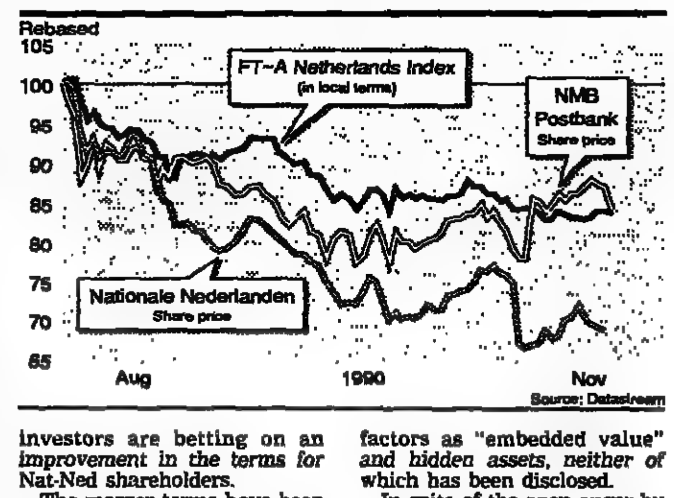
Investors' initial reaction to the news of the proposed Nat-Ned and NMB Postbank merger on November 5 was to bid up the share price of insurers Aegon and Stad Rotterdam, both of which are seen as prime merger candidates in the latest round of consolidation in the financial services industry.

But these gains were soon lost as the market took a second look at the implications of the Nat-Ned/NMB Postbank merger; Nat-Ned's shares fell sharply on a perception that the deal did not favour its shareholders. The latest development came this week, when independent insurance brokers threatened to stop selling Nat-Ned policies in protest at the insurer's plans to open new distribution channels through the branches – which number more than 3,000 – of NMB Bank and the Postbank.

Over the past weeks, the bourse has focused mainly on the lack of parity between the two partners' share prices, based on the terms of the mooted share swap offer. This has fuelled speculation that the merger may not go ahead or that the terms may have to be adjusted to satisfy disgruntled shareholders.

Nat-Ned shareholders have been promised one share in the new company plus one warrant for every existing share they hold. NMB Postbank shareholders will be able to exchange their shares for seven tenths of a new share, a warrant and a Fl 10 subordinated bond.

Under these terms, with Nat-Ned trading at Fl 49.10 yesterday morning, NMB Postbank's shares should have stood at about Fl 44 instead of their actual level of Fl 40.20. This gap of about Fl 4 has remained fairly constant over the past two weeks, suggesting that investors are betting on an improvement in the terms for Nat-Ned shareholders.



The merger terms have been fiercely criticised by a lobby group representing small shareholders and by several large institutional investors with significant holdings in Nat-Ned. They complain that NMB Postbank shareholders are doing rather better out of the deal than they are.

This criticism, which Nat-Ned rejects, has dogged the big insurer since the merger plans were presented. Nat-Ned's spirited efforts at defence are complicated by the fact that the arguments touch upon such factors as "embedded value" and hidden assets, neither of which has been disclosed.

In spite of the open anger by usually conservative institutional investors, the merger will probably go ahead as planned, says Mr Erwin Huijboom, an insurance industry analyst at Pierson, Heldring & Pierson in Amsterdam.

The most likely scenario is that the partners will stick to their terms and that the marriage will be consummated, he says. Of the two other possibilities – scrapping the deal altogether or changing it – the first is more likely than the second. "The great problem is that in order to give anything extra to Nat-Ned shareholders, they'd have to take something away from NMB Postbank shareholders," he says.

Analysts believe the discontent may rumble on for several weeks or months, because Nat-Ned and NMB Postbank are not expected to publish their share-swap prospectus until late January or February.

Meanwhile, a floor has seemingly been established for the share price of Philips, the electronics group which has been in the throes of a significant reorganisation since its new president, Mr Jan Timmer, took office in July.

On Monday, the company announced that it would take an extra Fl 1.8bn ($1.1bn) in restructuring provisions this year, widening full-year net losses to Fl 4bn from a previously expected Fl 2bn. At the same time, Philips predicted a return to profit in 1991.

Philips shares, which have been weak for months, recovered on the news, gaining nearly 15 per cent in the course of the week to close at Fl 21.80 yesterday compared with the previous Friday's close of Fl 19.20.

Mr Ian Blackford, an analyst of Dutch stocks at UBS Phillips & Drew in London, says the extra provisions were probably more than Philips needed. "Mr Timmer knows he has only one opportunity to get this right, and he wanted to make sure to get the bad news out of the way," he says. "He knows he can't afford to fail."

Other corporate news which helped rekindle trading was Elsevier's Fl 800m sale of its remaining 28 per cent stake in its fellow publisher, Wolters Kluwer, to Goldman Sachs for onward placement with institutions. The move, which depressed Kluwer's share price, reopened speculation about mergers and acquisitions in the publishing field. Elsevier's stake was itself the legacy of an unsuccessful takeover battle in 1987, and all possible combinations still seem open.

Speculation about mergers was heightened when VNU, the biggest Dutch publisher, announced that it may move out of the printing business. This would free up resources which VNU could use to build up its publishing interests both at home and abroad.

EUROPE

Milan welcomes Montedison's sale of Enimont stake

BOURSES ENDED little changed, although Milan was lifted by demand for stocks such as Enimont which had been suspended until yesterday, *writes Our Markets Staff.*

MILAN was boosted by Montedison's decision to sell its 40 per cent stake in Enimont back to the state for L1,650 a share and by the state's offer to buy in the 20 per cent held by other shareholders.

The Comit index rose 3.95 to 521.44. The bourse was closed from Friday last week until Thursday by a floor traders' strike protesting at a new capital gains tax. Yesterday the government delayed the implemention of the new levy by two months to February 15.

Consob, the bourse authority, lifted a suspension on Enimont and Montedison and five other companies belonging to the Ferruzzi group. Enimont jumped L439, or 42.6 per cent from its last quote on November 15, to L1,469. Montedison finished at L1,327, up 13.4 per cent from its last Milan quote. Ferruzzi Agricola rose L81 to L2,006 and Ferruzzi Finanziaria added L110 to L2,100 after news that Mr Raul Gardini had resigned as president of Ferruzzi Finanziaria.

FRANKFURT declined after an encouraging two-week run, the DAX index closing 12.74 lower at 1,483.36 after a 13.22 drop to 639.33 in the FAZ, for gains on the week of 4 per cent and 2.9 per cent respectively.

Volume slipped back again, from DM6.4bn to DM4.2bn, and the recovery in bond markets was also halted with the Bundesbank's average bond yield adding two basis points to 8.96 per cent.

Equities, meanwhile, were unaffected by opening trading in the DAX futures contract, which followed the cash market. Another potential stimulus, higher profits and a higher dividend in prospect from Commerzbank, were already discounted, and the sector saw profit taking with Commerzbank itself down DM3 to DM233.50.

PARIS focused on company prospects, but the bourse finished flat on the first day of the new account as the CAC 40 index lost almost all of its opening gain of more than 14 points. Investors were hesitant about taking positions before the weekend, and the index closed 0.38 up at 1,640.06, a rise on the week of 1.7 per cent.

Thomson-CSF, the defence group, was active again, rising FFr5.40 or 5.3 per cent to FFr107.70 on 393,600 shares, as its chairman's comments on Thursday about the likelihood of a rise in profits each year until 1993 sank home.

Also higher was Nouvelles Galeries, which rose another FFr43 to FFr758 for a two-day gain of 15.4 per cent, after Proventus of Sweden raised its stake in the retailer and said that it had permission to increase its holding further.

Havas, which rose slightly on Thursday, resumed its decline on worries about the media sector, in the wake of Wednesday's poor results from WPP of the UK. Havas dropped FFr14 to FFr468, for a three-day loss of 8.2 per cent.

ZURICH saw the Crédit Suisse index fall another 0.7 to 464.8, down 0.5 per cent on the week, and more specific volatility in Brown Boveri, which shed SFr100 to SFr3,960 for a five-day loss of 7.5 per cent.

ABB Asea Brown Boveri, the international operating arm of the Swedish/Swiss power engineering combination, last week forecast a rise in 1990 profits in dollar terms in line with the 23 per cent growth registered after nine months. However, some analysts said that converting the figures into Swiss francs could leave earnings per share only slightly higher or even lower.

BRUSSELS finished mixed in quiet trading, with the cash market index down 13.08 at 5,095.55, a rise of 0.5 per cent on the week. The preferred stock of FN fell 6.5 per cent to BFr115 after comments by Suez of France, which indirectly controls the arms maker, on the takeover bid by Giat of France.

MADRID was weak with turnover of about Pta5m. The general index declined 1.37 to 230.84, a fall of 1.1 per cent during the week. Banco Zaragozano rose Pta75 to Pta2,925 after three block trades totalling 92,950 shares. Acesa fell Pta5 to Pta733 after a block trade of 40,000 shares at Pta735 a share, while Dragados lost Pta5 to Pta2,390, with a block of 22,000 shares was traded.

LISBON gave a lukewarm reception to the government's plans to end the state airline's monopoly of international air travel and open the sector to private companies. The cabinet also approved rules to liberalise electricity production and distribution. The BTA index fell 16.1 to 2,149.9.

STOCKHOLM's Affärsvärlden General index declined 1.29 to 828.7, down 4.3 per cent on the week. Turnover was SKr200m, from SKr161m the previous day. Ericsson free B shares fell SKr5 to SKr190 in turnover of SKr200m.

Volvo free B shares rose SKr4 to SKr200. A subsidiary, Volvo Flygmotor AB, announced that it would create a new aircraft engine company, in which it would have a 51 per cent stake and an option on 90 per cent.

OSLO's all-share index rose 2.62 to 459.14, a loss of 2.7 per cent on the week, in volume of NKr505m.

ASIA PACIFIC

Go-ahead for cracking plant spurs Taiwan

THE LABOUR day holiday in Japan yesterday and Thursday's Thanksgiving Day in the United States had a quietening effect on activity around the Pacific Rim.

TAIWAN climbed 6.8 per cent on news that Formosa Plastics Corp would proceed with its planned naphtha cracking plant complex. The company had originally considered locating the project on mainland China.

The weighted index soared 312.32, its biggest single-day gain in five months, to 4,926.39, giving a gain on the week of 28 per cent. Plastics shares rose to their limit highs on the news. Turnover slipped to T$58.96bn from T$77.3bn.

BOMBAY rebounded after two days of losses, helped by a series of half-year corporate results. The BSE index gained 62.60 or 5 per cent, to 1,304.55, partly on buying by state-owned mutual funds. ACC, the cement producer, gained Rs155 to Rs2,175 on dividend speculation, while profits news lifted Larsen Rs18.75 to Rs146.25 and Telco Rs20 to Rs246.25.

NEW ZEALAND was led higher by a firm bond market. The Barclays index closed 9.10 higher at 1,306.48. Turnover fell to NZ$6.7m from NZ$7.5m.

AUSTRALIA ended slightly lower in quiet trading. The All Ordinaries index eased 1.9 to 1,366.6, but was up 1.9 per cent on the week. Turnover fell to A$127m from A$188m.

Adsteam rose 9 cents to 97 cents. Its chairman, Mr Ken Russell, told shareholders at yesterday's annual meeting that the company was unlikely to pay a dividend for its fiscal first half ending December 31, and cast doubt over a full fiscal year payout. But brokers said the market was heartened by Mr Russell's comment that the company had its bankers' continued support.

SINGAPORE finished narrowly mixed in lethargic trade. Shares were suspended in UIC, the diversified detergent manufacturer, and Singapore Land pending an announcement. There were rumours that UIC would be the subject of a takeover bid from Sinar Mas, an Indonesian company.

The Straits Times Industrial index rose 1.23 to 1,128.80, up 0.9 per cent on the week. Turnover fell to S$41m from S$74m.

KUALA LUMPUR saw weakness in the finance and property sectors. However, the market was optimistic about the forthcoming budget expected in mid-December. The composite index edged down 0.62 to 475.64, but was 0.9 per cent up on the week.

HONG KONG ended mixed in listless trading. The Hang Seng index slipped 7.02 to 3,016.06, barely changed on the week. Turnover slumped to HK$583m, the lowest level in six weeks, from HK$683m.

MANILA fell on profit-taking; the composite index declined 10.00 to 643.75, 0.3 per cent lower on the week.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	THURSDAY NOVEMBER 22 1990								WEDNESDAY NOVEMBER 21 1990					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1990 High	1990 Low	Year ago (approx)
Australia (78)	125.51	+0.1	94.50	100.99	98.44	108.46	−0.4	7.19	125.41	94.45	101.15	96.60	108.94	158.31	118.98	146.45
Austria (19)	200.20	−0.1	150.75	161.11	153.84	153.99	+0.2	1.77	200.31	150.86	161.57	154.28	153.68	285.63	178.57	144.31
Belgium (61)	138.90	−0.1	104.58	111.76	106.73	104.82	+0.2	5.53	139.05	104.71	112.13	107.08	104.57	160.02	128.67	145.51
Canada (120)	124.56	−0.1	93.79	100.22	95.70	104.67	+0.0	3.84	124.72	93.93	100.59	96.06	104.63	153.61	121.24	148.40
Denmark (33)	251.86	−0.2	189.64	202.67	193.53	194.65	+0.0	1.52	252.41	190.10	203.59	194.41	194.73	277.62	234.05	228.63
Finland (25)	103.33	−0.8	77.80	83.15	79.40	77.17	−0.3	3.95	103.93	78.27	83.83	80.05	77.37	152.29	98.91	118.63
France (122)	141.10	+0.9	106.25	113.54	108.42	110.45	+0.7	3.76	139.84	105.32	112.79	107.70	109.68	166.85	124.98	135.21
Germany (91)	121.55	+2.4	91.52	97.82	93.40	93.40	+2.1	2.44	118.74	89.45	95.79	91.45	91.45	144.63	101.38	100.36
Hong Kong (48)	123.39	+0.2	92.91	99.29	94.82	123.33	+0.3	5.37	123.08	92.70	99.27	94.81	123.02	147.40	112.24	118.52
Ireland (17)	153.60	+0.2	115.65	123.60	118.02	119.67	+0.4	4.36	153.36	115.51	123.70	118.12	119.42	198.57	139.04	159.46
Italy (91)	79.38	−0.1	59.77	63.87	60.99	65.88	−0.3	3.74	79.48	59.86	64.10	61.21	66.06	109.26	79.30	91.14
Japan (454)	129.54	+2.8	97.54	104.24	99.55	104.24	+2.6	0.82	125.99	94.89	101.62	97.05	101.62	197.26	106.58	187.51
Malaysia (35)	196.32	+0.2	147.82	157.97	150.85	202.90	+0.4	3.32	195.58	147.53	157.98	150.87	202.18	250.89	162.96	200.97
Mexico (12)	561.91	+0.8	423.10	452.18	431.78	1806.86	+1.0	0.38	558.71	419.29	449.03	428.79	1789.50	561.91	324.53	287.89
Netherland (41)	134.37	−0.2	101.18	108.13	103.26	102.24	−0.4	5.26	134.60	101.38	108.57	103.68	102.63	149.03	127.56	128.10
New Zealand (16)	49.56	−0.8	37.32	39.88	38.08	42.91	−0.9	7.83	49.97	37.64	40.31	38.49	43.31	75.36	47.90	75.42
Norway (27)	214.04	+1.7	161.16	172.23	164.47	168.06	+1.9	1.84	210.40	158.51	169.75	162.11	164.80	276.79	202.34	172.80
Singapore (25)	156.58	+0.6	117.90	126.00	120.31	123.35	+0.4	3.58	155.62	117.21	125.52	119.88	122.88	209.24	147.24	161.68
South Africa (60)	173.21	+0.6	130.42	139.37	133.09	130.33	−0.2	4.19	172.14	129.85	130.84	132.58	130.65	251.89	151.50	171.04
Spain (42)	148.34	+0.0	111.70	119.37	113.99	105.53	+0.1	5.27	148.28	111.68	119.60	114.21	105.42	182.25	128.54	154.87
Sweden (27)	158.90	−1.7	119.65	127.87	122.10	130.50	−1.5	3.11	161.59	121.70	130.34	124.46	132.47	234.93	158.07	161.95
Switzerland (68)	90.65	−0.7	68.26	72.95	69.66	70.19	−0.9	3.00	91.38	68.78	73.67	70.35	70.86	109.77	85.00	88.22
United Kingdom (298)	167.62	+0.2	126.21	134.87	128.79	126.21	+0.2	5.50	167.32	126.02	134.04	128.86	126.02	176.18	139.87	141.48
USA (533)	127.55	+0.0	96.04	102.64	98.02	127.45	+0.0	3.87	127.55	96.07	102.89	98.25	127.55	148.95	119.06	138.83
Europe (962)	139.20	+0.5	104.81	112.01	106.96	106.18	+0.4	4.37	138.51	104.32	111.72	106.69	105.72	157.65	124.91	125.66
Nordic (112)	174.46	−0.5	131.36	140.39	134.06	133.38	−0.3	2.27	175.40	132.10	141.48	135.10	133.85	223.29	172.38	166.25
Pacific Basin (654)	128.85	+2.6	97.02	103.69	99.01	104.69	+2.4	1.21	125.56	94.57	101.28	95.72	102.27	192.75	107.82	183.22
Euro – Pacific (1616)	133.42	+1.7	100.46	107.35	102.51	108.11	+1.5	2.56	131.18	98.80	105.80	101.04	104.51	174.18	116.03	160.28
North America (653)	127.28	+0.0	95.84	102.43	97.82	126.05	+0.0	3.87	127.29	95.87	102.68	98.06	126.04	146.43	119.26	139.30
Europe Ex. UK (664)	127.55	+0.7	91.52	97.83	93.42	94.30	+0.8	3.54	120.67	90.88	97.35	92.96	93.74	145.62	109.94	114.93
Pacific Ex. Japan (200)	120.03	+0.1	90.38	96.60	92.24	107.03	−0.1	6.17	119.86	90.27	96.69	92.33	107.17	148.72	116.03	131.73
World Ex. US (1808)	133.75	+1.6	100.71	107.64	102.78	106.74	+1.5	2.61	131.61	99.12	108.16	101.37	105.21	173.77	117.12	160.05
World Ex. UK (2043)	126.95	+1.2	95.59	102.16	97.56	111.89	+1.1	2.72	125.45	94.48	101.19	98.84	110.71	162.00	115.37	152.42
World Ex. So. Af. (2281)	130.30	+1.1	98.11	104.86	100.13	113.19	+1.0	3.03	128.91	97.09	103.99	99.30	112.10	161.84	118.04	151.30
World Ex. Japan (1887)	132.38	+0.2	99.68	106.54	101.74	118.12	+0.2	4.16	132.10	99.49	106.56	101.76	117.93	151.59	124.31	134.82
The World Index (2341)	130.56	+1.1	98.31	105.06	100.33	113.31	+1.0	3.04	129.17	97.29	104.19	99.50	112.23	162.05	118.33	151.42

Latest prices were unavailable for this edition. Markets closed: Nov. 22: USA.

LONDON SHARE SERVICE

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"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

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BRITISH FUNDS – Contd

Index-Linked

[illegible]

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CORPORATION LOANS

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COMMONWEALTH & AFRICAN LOANS

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LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

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AMERICANS – Contd

[illegible]

CANADIANS

[illegible]

Continued on next page

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Philip Coggan

LONDON SHARE SERVICE

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BANKS, HP & LEASING

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
£13¼	£9	ABN Amro Fl5	£9½	....	Q28%	2.1	8.9	5.3
303	145	ANZ $A1	149	+1	44c	1.4	11.4	6.2
233	172	Abbey National 10p	227	....	5.7	4.3	3.3	9.2
274	128	Allied Irish Ord	149xd	+1	†040%	3.3	6.0	6.8
85	47	Anglo Irish	53	....	Q17.9%	◆	7.8	◆
93	61	Ansbacher (H.) 1p	61	....	2.5	1.3	5.5	17.6
£71¼	£32¼	Bancaire Cie Fr100	£47¼	–¼	‡012¼%	–	2.8	–
£22¾	£13¼	Banco Bilbao Viz	£14	–¼	Q49.1%	2.7	5.7	9.6
286	130	Bank Ireland Ir£1	149xd	–1	Q14.7%	2.9	8.8	5.2
£19½	£19	Bank Leumi	£19½	.....	–	–	–	–
351	320	Bank Leumi (U.K.)	350	.....	†15.0	–	5.7	–
129½	100	Bank Scotland	120	+5	†4.55	3.4	5.1	7.6
100¼	83¼	Do 9¼pc Irrd Pf	99	+½	9¼%	–	12.5	–
54	39	Bank of Wales	42	....	2.8	0.8	8.9	(20.2)
428	290	Barclays £1	385	+13	†h19.57	3.5	6.8	5.3
22	10	Benchmark 20p	10	–1	0.75	–	10.0	–
335	225	Brown Shipley £1	225	....	†12.0	2.2	7.1	7.2
435	285	Cater Allen £1	375xd	+3	F24.5	–	8.7	–
179	29	Chancery	39	+2	9.0	2.7	–	1.6
£23¾	£14	Commerzbk DM10	£16	–¼	Q18%	–	3.9	–
£13⅛	620	Dai Ichi KBk Y50	714	....	Q17%	6.2	0.5	33.7
£13⅞	£189¼	Deutsche Bk DM50	£203¼	–1½	Q28%	–	2.3	–
£20¾	£14½	Espirito Santo	£15½	....	Q75c	5.1	2.4	8.1
253	165	First Nat. Fin. 10p	193	+5	13.0	2.1	9.0	6.6
121	82	FNFC 6.3pc Cv. Pf	95	+4	6.3%	–	8.8	–
£13½	633	Fuji Bank Y50	838	+1	†Q17%	6.9	0.4	35.6
325	262	Gerrard & National	304	+1	19.0	–	8.3	–
154	85	Guinness Mahon 10p	85	....	2.1	–	3.3	–
328	194	Hambros 20p	235	....	11.5	–	6.5	–
128	88	Do 7.5pc Cv Pf	97	.....	7½%	–	10.3	–
531½	29	HK & Shang. HK$2.50	30½	+½	†hQ38c	–	8.4	–
478	373	Joseph (Leo) £1	378	+5	15.85	–	5.6	–
150	105	King & Shaxson 20p	123xd	+2	10.25	–	11.1	–
422	262	Kleinwort Benson Grp	289	+2	16.0	2.5	7.5	6.7
642	316	Kyowa Bank Y50	397	+3	Q14%	◆	0.8	◆
316	220	Lloyds £1	292	....	†13.3	2.6	6.1	6.9
56	44	Lon. Scot. Bank 10p	47	....	†2.4	1.9	6.8	9.3
404	176	Midland £1	280	+5	†18.0	2.6	12.0	4.2
£14½	£10⅞	Mitsubishi Bank Y50	£10⅞	....	†Q17%	◆	0.3	◆
£12⅝	£4⅞	Mitsubishi Tst & Bk Y50	£6⅞	+⅛	Q17%	12.4	0.6	14.7
£10⅝	£4⅞	Mitsui Taiyo Kobe Y50	£6¾	....	†Q16%	6.0	0.5	34.8
904	410	Mitsui Tst & Bk Y50	530	+6	Q17%	◆	0.6	◆
326	220	Nat. Aust. Bk A$1	235	....	Q56c	◆	9.4	◆
368	227	NatWest £1	285	+10	†16.7	3.3	7.8	5.2
£210	£115	Ottoman Bank	£115	....	Q110%	2.8	9.6	3.7

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS – Contd

ENGINEERING

ENGINEERING – Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

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Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY – Contd

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRANSPORT

INVESTMENT TRUST

INVESTMENT TRUST – Contd

INVESTMENT TRUST – Contd

Net asset values supplied by County NatWest Wood Mackenzie

FINANCE, LAND, ETC

WATER

OIL AND GAS

OIL AND GAS – Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES – Contd

Tins

1990 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's
35	25	Ayer Hitam $M1.	25	.....	‡Q53.3d	0.7	–
75	45	Gopeng Berhad M$0.50	45	..	Q11d	2.6	4.6

Miscellaneous

THIRD MARKET

NOTES

... official estimates for 1990. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1991. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency

Craig & Rose £1	y	700d	....
Finlay Pkg. 5p	y	38	+2
Holt (Jos) 25p	y	1305	.....
Carrol (P.J.)		154	....
Helton Hldgs.	y	43	....
IRG		153¼	....
United Drug		133	....

IRISH

Cap. 8½% Ln. 1991	£98¼	.....
9pc Cap Ln 1996	£94	.....
Fin 13% 97/02	£110½	....
Arnotts	167¼	....

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	40
Amstrad	6
Astec (BSR)	4½
BAT	49
BOC Grp.	39
BTR	29
Barclays	27
Blue Circle	17
Boots	21
Bowaters	41
Brit Aerospace	43
British Steel	10½
Brit Telecom.	22
Cadburys	26
Charter Cons.	37
Comm Union	37
Courtaulds	25
Eurotunnel	40
FKI	5¾
FNFC	20
Gen Accident	37
GEC	14
Glaxo	57
Grand Met.	44
Guardian	15
GKN	27
Hanson	16
Hawker Sidd	39
ICI	70
Ladbroke	22
Legal & Gen.	29½
Lex Service	28
Lloyds Bank	21
Lucas Inds.	11
Marks & Spencer	18
Midland Bk	20
Nat West Bk	18
P & O Dfd	42
Racal Elect	14
RHM	23
Rank Org Ord	49
Reed Intnl	30
STC	19½
Sears	8½
SmKl Beecham A	44
TI	37
TSB	10
Tesco	19
Thorn EMI	49
Trust Houses	21
T&N	14
Unilever	50
Vickers	19
Wellcome	38

Property

Brit Land	24
Control Secs	3½
Land Securities	42
MEPC	38
Mountleigh	11

Oils

Aviva Petlm	3½
Brit Petroleum	28
Burmah Castrol	44
Conroy Petlm	20
Gaelic Res	2
Premier	8½
Shell	40
Tuskar Res	6
Ultramar	31

Mines

Lonrho	21
RTZ	40

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1,050 a year for each security shown, subject to the Editor's discretion.

cations of less than 1,500

Philip Coggan

FINANCIAL TIMES
Weekend November 24/November 25 1990

Presidents Bush and Mubarak: agreement on complete withdrawal from Kuwait without any preconditions

After week-long tour further UN action against Iraq seen as 'very, very close'

Bush says coalition reinforced

By Peter Riddell in Geneva and Tony Walker in Cairo

PRESIDENT George Bush last night said he had reinforced the unity of the international coalition against Iraq during his week-long tour of Europe and the Middle East.

As the tour ended, he said he expected a further United Nations resolution to be discussed soon and further UN action was "very, very close now".

During a brief visit to Egypt yesterday, Mr Bush and President Hosni Mubarak agreed that any peaceful solution to the Gulf crisis must involve "complete withdrawal from Kuwait without any preconditions and the restoration of its legitimate government". The statement is intended to anticipate possible initiatives and concessions by Iraq.

Mr Bush later travelled to Geneva to see President Assad of Syria, to cement his support for the coalition, ahead of his return to the US.

Mr Bush repeatedly referred to his frustration and impatience at the failure of Iraq to respond: "We are getting tired of the status quo and so is the rest of the world."

The US has been forced to accept that it still does not have enough votes to secure overwhelming approval of a UN Security Council resolution authorising the use of force against Iraq. The Bush administration may have to wait until next month or early in the new year before it is ready to press its UN partners again to consider such a motion. Page 4

He said further steps "must be taken now, so as to ensure credible alternatives are available before much more time passes".

A further resolution would cover not only unspecified further action, but also "perhaps a timeframe".

While sounding increasingly confident during the week of his trip about a further UN resolution, Mr Bush and his advisers have been deliberately ambiguous about the contents, so that they can claim that almost any agreed resolution is a victory, even one which is imprecise about the possible use of military action.

It is still unclear how far some permanent members of the UN Security Council, such as the Soviet Union, China and France, have agreed to specific commitments on military action.

In Moscow, President Mikhail Gorbachev said the situation in the Gulf was fraught with danger, but he did not commit the Soviet Union to military action against Iraq.

After a meeting yesterday in western China, the Soviet and Chinese foreign ministers agreed on the need for a political solution to the Gulf crisis, according to the official New China News Agency.

President Bush saw his meetings with the Egyptian and Syrian presidents as a means of demonstrating Arab support for the coalition. President Mubarak, in particular, stressed the importance of involving the Syrian leader as a "key player" and "a very important participant".

Mr Bush said there was no suggestion that President Assad had felt left out of the process so far. While the US and Syria had different views on other questions, they were together on this question, in seeking the reversal of Iraqi aggression.

President Mubarak also raised the need to tackle broader Middle East questions, such as Arab-Israeli relations, as part of the search for greater stability in the region.

He talked of looking at the plight of the Palestinian people, and their right to self-determination.

Mr Bush said the US remained determined to be helpful in bringing pressure to the West Bank question.

Former Sky executives dominate at BSkyB

By John Thornhill

BRITISH SKY Broadcasting said yesterday that the majority of the senior managers who will run the merged satellite broadcasting company would come from Sky Television.

Together with Mr Sam Chisholm, who has become managing director and chief executive of BSkyB, six of the managers appointed to senior positions previously worked at Sky. Only three come from British Satellite Broadcasting.

In addition, the five-man programming team for the new five-channel network has been drawn entirely from former Sky employees.

One City analyst said the management changes amounted to a "complete whitewash" for Sky and added to the impression that the merger of Sky Television and British Satellite Broadcasting had proved to be more of a takeover than a merger.

The move follows the departure of Mr John Gau, the former chief executive of British Satellite Broadcasting. Mr Gau said yesterday: "There is a sense of disappointment that there were winners and losers in all this, and that BSB employees were clearly the losers and Sky's were the winners. But that's big business."

An estimated 500 people, most of them BSB staff, have lost their jobs as a result of the merger. Apart from forced redundancies, many BSB staff did not apply for jobs with the new company and others were on short-term contracts.

Mr Gau said the settlement payments had been generous and that the merger would benefit the investors in BSB, which include Granada, Pearson, the publisher of the Financial Times, Reed International and Chargeurs: "They took a business decision in the interests of shareholders and the shareholders will be extremely well rewarded in due course."

BSkyB indicated that further rationalisation would follow as the broadcasting company is now to be based at Sky's Isleworth headquarters. It would make an announcement soon regarding BSB's headquarters in the Marco Polo building.

● The Independent Broadcasting Authority has approved the schedule of programmes due to be broadcast in December by BSkyB on the Marco Polo satellites used by BSB. The IBA said this was an interim decision, and did not alter its intention to terminate the contract with BSB.

THE LEX COLUMN

All aboard for the resignation rally

Against all the odds, the London market has suddenly gone bullish this week. It could just be right. The pivotal reason remains greater stability in policy, in the guise of Mr John Major. He may or may not be the next prime minister, as the City is coming to believe. But he is likely to carry on running economic policy whatever happens, either as leader or as chancellor. If the latter, he is unlikely to suffer the same interference from his new boss.

To explain the remarkable buoyancy of the equity market – in one of the most difficult weeks in the Tory party's history the FT-SE has risen 100 points – one must assume a previous upward tandency which had been suppressed by political uncertainty. It would not be hard to account for this. The UK is now towards the end of the second quarter of a recession. If the market has done anything like its job of anticipating the effect on the corporate sector, it is now almost overdue in anticipating recovery.

It has become commonplace among UK fund managers over the past couple of months to argue that the market is cheap but should get cheaper. They have therefore been nibbling at stocks while retaining the bulk of their funds in cash. The logical flaw is that whatever circumstances would make them buy seriously would also stop others from selling. The risk is that of being left behind.

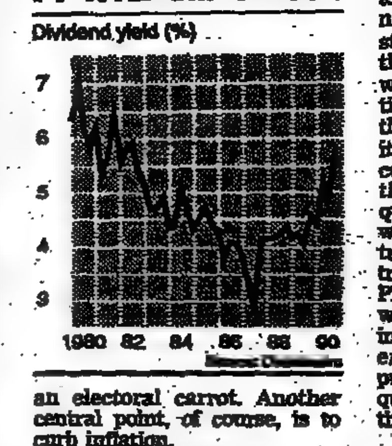
At this point it is necessary to ask what might go wrong. The obvious international risks remain, from the Gulf to Wall Street. But there are domestic risks as well, one being that investors may be too quick to assume a cut in base rates. Nothing in the change of leadership makes this easier to achieve than before, except to the extent that it results in a higher exchange rate. So far sterling has withstood the political shocks remarkably. But against the D-mark it is still lower than before the resignation of Sir Geoffrey Howe.

There are still rumours that the new premier might devalue within the ERM or move to 2¼ per cent bands. But the market cannot have stability both ways. If Mr Major is to remain in charge of economic policy it would look odd for him to vary the membership terms which he set himself. Otherwise, the only obvious motive for an immediate rate cut would be if Mr Heseltine won and opted for a snap spring election. But then, a central point about ERM membership is to make it harder to use interest rates as an electoral carrot. Another central point, of course, is to curb inflation.

FT-SE Index: 2,170.5 (+42.8)

FT-A All-Share Index

Dividend yield (%)



This is the other important proviso to the outright bull case. The market may have discounted recession. It remains to be seen whether it has discounted the quite separate and subsequent squeeze on corporate earnings which may be caused by ERM membership itself.

Electricity

The nearer the flotation of the regional electricity companies comes, the more it seems the government's attempt to create a level playing field for the companies has been illusory. The narrow 1 per cent yield range fixed for the 12 Recs is the centre of the problem. It is one thing for advisers to the flotation to admit the range might be wrong, but they are not forthcoming about where the anomalies lie. On closer inspection, companies such as Southern and London have been priced at yield discounts much smaller than the market expected, while the relatively small premiums on South Wales and Manweb make them look expensive.

This is not to deny that for small investors the yields are attractive enough by most measures to justify buying the shares. With prices of water shares moving to a higher level this week, the yield differential between the two industries looks wide enough to allow electricity shares to trade at a premium without upsetting valuations. On top of buying into their local companies, small investors can also play the regional game if they are inclined. It seems safe to assume that smaller Recs with large customer bases, Seeboard and London in particular, will be oversubscribed, while the northern Recs will be undersubscribed by customers.

As to subsequent performance, the water companies are the best form guide, but not a very good one. For a start, there is unlikely to be the immediate stakebuilding which characterised the privatised water industry. Untried though it may be, the electricity regime should ensure real competition, suggesting that the Recs will diverge very quickly as the market selects winners and losers. The attitude of managements to electricity supply is the key here. Players such as East Midlands, which believes the future lies in massive investment in generation and allowing pool prices to be driven lower, will quickly polarise opinion among the institutions.

France

Never mind who becomes leader of the British Tory party. If 1991 is going to see more than token progress towards European monetary union, the first requirement is that France and Germany should keep their economies roughly in tandem. Hence the interest of yesterday's rather better than expected economic figures from Paris, showing France's October trade deficit down sharply and GDP up 1.3 per cent in the third quarter. Understandably Mr Bérégovoy, the finance minister, is breathing fire over the weakness of the US dollar, which has fallen 12 per cent against the franc in the last year. But if yesterday's figures are to be trusted, some recent pessimistic forecasts about France's growth have been overdone.

That, unfortunately, is a big if. First, the GDP figures contained what looked like some blips, such as a very high stock-build in the quarter. Second, even in these figures there were bearish indicators, especially the signs that French consumers are pulling in their horns and saving instead of spending. Car sales have stalled, sales of household goods have fallen 5.3 per cent and growth in residential investment has slowed right down.

The gloom should not be overdone, for the reason that French inflation is still under control at about 3.5 per cent with GDP growing about 2.5 per cent this year. The snag is what lies ahead in 1991, with Germany likely to be booming away while France is decelerating. It looks increasingly probable that next year will bring heavy pressure for D-Mark realignment within the ERM.

CHIEF PRICE CHANGES YESTERDAY

FRANKFURT (Dm)

Falls			
Goldschmidt	680	−	21
Hochtief	1273	−	19
Holzmann (P)	1315	−	40
Industriekred	239	−	8
Karstadt	665	−	13.5
Mercedes Hld	489	−	10.8
Muench Rck	2300	−	80
Springer Axel	745	−	15

NEW YORK ($)

Rises			
Apple Comp	36½	+	⅜
Falls			
Adv Micro Dev	4⅛	−	⅛
Altera	9½	−	⅜
Ameritrust	9⅜	−	⅜
Child World	6¼	−	4½
MCA	65½	−	2⅝

PARIS (FFrs)

Rises			
CFAO	387	+	17
Essilor	288.9	+	13.7
Fonciere Lyonn	810	+	20
Intertechnique	1055	+	55
Roussel-Uclaf	2000	+	80
Som-Allibert	1330	+	55
Falls			
Cred Foncier	889	−	30
Industrielle	4525	−	485

Tokyo closed. New York prices at 12.30.

LONDON (Pence)

Rises			
APV	92	+	10
Courtaulds	330	+	12
Crest Nichol	95	+	8
Davy Corp	98	+	23
Grand Met	617	+	24
London Intl	235	+	12
News Intl	123	+	13
Nthmbrian Wtr	279	+	16
Pearson	667	+	17
Prowting	175	+	11
Ratners	195	+	11
Redland	579	+	20
Reuters	864	+	31
Standard Chart	278	+	16
Tiphook	399	+	23
WPP	138	+	11
Water Package	2563	+	93
Young (H)	42	+	6
Falls			
Alpha Ests	13	−	10
Black Arrow	35	−	10
Comm Hospital	175	−	10
Holmes Marchl	53	−	22
Logitek	28	−	5
Sema	401	−	106

WORLDWIDE WEATHER

UK today: The day will start dull and wet everywhere, with clearer weather spreading from the south-west. Snow on hills in the north. Outlook: cold

		Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	F	14	57	Dallas †	S	7	45	Madeira	C	18	64	Prague	Dr	3	37
Algiers	C	13	55	Dublin	R	7	45	Madrid	S	8	46	Reykjavik	F	4	39
Amsterdam	C	2	36	Dubrovnik	[illegible]	17	63	Majorca	S	14	57	Rhodes	S	20	68
Athens	S	20	68	Edinburgh	[illegible]	5	41	Malaga	S	15	59	Rio d'Janeiro		-	-
Bahrain	S	25	77	Faro	S	15	59	Malta	F	22	72	Rome	R	14	57
Barcelona	S	11	52	Florence	R	15	59	Manchester	S	3	37	Salzburg	C	6	43
Belfast	R	6	43	Frankfurt	R	2	36	Melbourne	C	15	59	S'Francisco †	S	8	46
Belgrade	F	15	59	Geneva	C	4	39	Mexico City		-	-	Santiago		-	-
Berlin	Sl	2	36	Gibraltar	S	15	59	Miami †	S	19	66	Seoul	S	11	52
Biarritz	C	10	50	Glasgow	R	5	41	Milan	F	14	57	Singapore	F	28	82
Birmingham	Dr	2	36	Guernsey	F	[illegible]	[illegible]	Montreal †	C	6	43	Stockholm	C	0	32
Blackpool	[illegible]	3	37	Helsinki	S	-1	30	Moscow	C	-4	25	Strasbourg	C	3	37
Bombay	S	31	88	Hong Kong		-	-	Munich	F	4	39	Sydney	C	23	73
Bordeaux	S	9	48	Innsbruck	F	5	41	Nairobi	F	24	75	Tangier	F	15	59
Boulogne	Fg	1	34	Inverness	C	6	43	Naples	C	19	66	Tel Aviv	S	29	84
Bristol	[illegible]	3	37	Isle of Man	R	[illegible]	46	Nassau		-	-	Tenerife	C	19	66
Brussels	Fg	0	32	Istanbul	S	18	64	Newcastle	C	3	37	Tokyo	S	15	59
Buenos Aires		-	-	Jersey	F	8	46	New Delhi	S	22	72	Toronto †	S	1	34
Budapest	C	11	52	Johannesburg	F	27	81	New York †	R	11	52	Tunis	F	18	64
Cairo	F	25	77	Las Palmas	C	20	68	Nice	S	14	57	Valencia	S	14	57
Cape Town	F	19	66	Leeds	C	3	37	Nicosia	S	25	77	Venice	F	14	57
Cardiff	C	3	[illegible]	Lisbon	S	14	57	Oporto	C	11	52	Vienna	F	14	57
Chicago †	[illegible]	6	43	Locarno	R	7	45	Oslo	F	-8	18	Warsaw	R	3	37
Cologne	Sl	1	34	London	[illegible]	5	41	Paris	Fg	1	34	Washington †	R	9	48
Copenhagen	F	3	37	Los Angeles †	S	13	55	Peking	S	12	54	Wellington	C	14	57
Corfu	C	17	63	Luxembourg	C	2	36	Perth	S	26	79	Zurich	C	2	36

C – Cloudy. Dr – Drizzle. F – Fair. Fg – Fog. H – Hail. R – Rain. S – Sunny. Sl – Sleet. Sn – Snow. T – Thunder.
† Noon GMT temperatures

Germans may quit EFA project after defence spending review

By David Marsh in Bonn

GERMANY is almost certain to pull out of the £21bn four-nation European Fighter Aircraft when the project enters the procurement phase – a move which would probably deal a fatal blow to Europe's most important collaborative arms venture.

The threat to the project, in which Germany is partnered by the UK, Italy and Spain arises from a radical review of German defence spending forced by the need for sharp budgetary cuts. In the building phase starting in 1993, some 800 of the aircraft were to have been built for the air forces of the four nations.

Prospects for German participation in the EFA have become increasingly dim since the Free Democratic Party (FDP), junior partners in the coalition, withdrew support for the EFA early this year.

German government officials said yesterday that defence spending was one of the top priorities for spending reductions which are to be put forward in detail by Mr Theo Waigel, the finance minister, after the December 2 general elections. A fierce dispute is brewing with the Defence Ministry, which is trying to resist deep cuts in this year's DM54bn (£18.6bn) defence budget to less than DM50bn next year.

Since it will be difficult to reduce spending on manpower – which was inflated by the takeover of the East German army last month, most of the cuts are likely to come from defence equipment.

The Foreign Ministry, under Mr Hans-Dietrich Genscher, one of the FDP leaders, has stepped up its opposition to the EFA venture recently and the Finance Ministry now also appears to believe the project will be halted.

A Finance Ministry official said yesterday it would be "nonsense" to go forward with EFA at a time of general disarmament. However, because procurement is not planned to start until the mid-1990s, it could be years before significant savings could be gained from abandoning the project.

In view of the need to regain control over public finances, the Finance Ministry wants to contain the rise in central government spending next year to only 1 per cent in nominal terms. This amounts to a cut of about 2 per cent in real terms.

Next year's target compares with total spending for 1990 of DM396bn – a figure sharply above original plans because of the extra cost of German unity.

After 1991, the Finance Ministry plans to hold the yearly increase in central government spending down to 2 per cent.

Mr Waigel last week announced plans to cut DM35bn from spending next year via budgetary cuts and revenue raising measures. Finance Ministry officials have drawn up a list of more than DM35bn of options, many of which are likely to be politically controversial.

The options include cutting tax breaks for Berlin and former west German border areas, which together now total DM11bn. The government also plans to raise unemployment insurance contributions, to be offset by a cut in payments for pension insurance.

Major and Hurd

Continued from Page 1

tional companies would pay "very substantial" sums to gain access to her contacts, stature and wisdom as a non-executive director. She would be following in the footsteps of Mr Nigel Lawson and Mr Norman Tebbit. A position on the board of Hanson Trust, run by Lord Hanson, one her closest business allies, should not be ruled out.

Or would she find this terribly frustrating; could she bear watching other people run a company, believing she could do it so much better herself?

She might develop some hobbies and follow Churchill's lead – retire to Dulwich to paint, crochet or devote time to the Royal Society, where she is a Fellow. However, any suggestion along these lines is likely to be met by a withering look of disdain. Mrs Thatcher was born to work.

Literary agents will no doubt join the media at the gates of Chequers, with cheque books in hand. They are already in a frenzy, attempting to assess the value of the political testament and prepare the ground for their bids. Seven-figure sums – payable in very hard sterling – have been suggested.

Perhaps the most attractive course would be to take to the world stage and run a body such as the United Nations or the World Bank.

This would give her a forum from which to proclaim a transcendent vision of free markets and free trade, democracy and private ownership.

But until then she still has to complete the mundane task of organising her belongings before the removal vans arrive next week.

Downing Street was abuzz with domestic activity yesterday.

In between receiving personal visits, a stream of messages from world leaders and "scores and scores" of flowers yesterday, Mrs Thatcher was inside, attending to government business which was limited to "bits and pieces", officials said.

Among visitors to Downing Street was her son Mark. Asked by reporters what the prime minister was doing he said: "She's doing what she always does on a Friday – running the country."

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Weekend FT

SECTION II

Weekend November 24/November 25 1990

Fashioned in her own image

MRS THATCHER has not transformed Britain's culture. How could she? She was merely a Prime Minister – not a lost war. Only vast disasters produce real and rapid change in national behaviour. Yet the cultural impact of her ideas and of those she described as "one of us" will be subtle and long.

Having shunned the traditional structures of her country's ruling classes, she adopted the tactic of confrontation. She has been the most Protestant of premiers, revealing truth to believers – who then developed a direct individual relationship with her (or at least the *idea* of her) – the "us" of the famous "one of us" comprised fellow believers here and there: this one framing the door of a newly bought council house with Grecian pillars, that one stripping out layers of bureaucracy from a newly-acquired company. Only two days before the fateful announcement, Alan Sugar, chairman of Amstrad, was describing on television how she set free the entrepreneurial energies of a generation – only to be patronised magnificently by Lord (James) Prior, who pointed out that Michael Heseltine, too, was an entrepreneur – so what was so special about Thatcher?

But Thatcherism's speciality has been the urgency and fervour of the responses it stimulated in British culture. The style of her politics of struggle, was closer to that of the left, even the far left, than to comfortable, accommodating, Toryism. Its key players were dragooned into being activists – no longer just giving gruff assent to a Tory government as "better than the other lot" – but speaking of a new era, of new energies released, and of old monsters slain.

This, indeed has been the role of the figures of enterprise and success who were paraded as examples of Thatcherism in action and often asked for advice: – Sir Michael Edwardes of BL; Sir Ian MacGregor of British Steel and British Coal; Sir John Egan of Jaguar; Sir Graham Day, of British Shipbuilders and Rover Group; Sir Hector Laing of United Biscuits; Lord Hanson, of Hanson Trust; Sir Jeffrey Sterling, of P and O; and others.

Bright examples of the new spirit were also provided by more rapidly rising figures: the Saatchi Brothers, Sugar himself, Richard Branson of Virgin Records, Freddy Laker of Laker Airways, Sophie Mirman of the Sock Shop. Some who had been favourites – such as Sir Ian – were dropped: others tarnished the image by doing badly: the Saatchis, Laker and Mirman. Many distinguished themselves by struggle, like her: struggle against trade unions, against old habits and present sloth, against an enervating consensus. Struggle – competition – winning – were their mottoes.

But the paradigm of a successful businessman has shifted again. The public image of the ideal British businessman is now much closer to Sir John Harvey Jones, the former ICI chairman, who rose through the corporate ranks but is not afraid to let his hair over his collar, who was once a social democrat supporter, and is all sensible pragmatism and can-do joviality. Sir John's success with the media depends on self-deprecating wit, a lack of extremes, solid competence. Too many of the Thatcherites were awkward, like

*Margaret Thatcher was merely a Prime Minister, but she will have a subtle and long-lasting effect on British society. **John Lloyd** assesses the influence of her creed and her apostles*

***Page XXII:** Knights of the long knives*

Sugar, or far too hot, like Jeffrey Archer, the former Conservative Party vice-chairman and novelist. I once sat at the next table to Archer when we were separately having breakfast in a hotel: he was speaking to a government minister, and I thought at first he was a talented amateur mimic doing a parody of the parody done of him by the *Spitting Image* programme, so hyped up was he, so unrelenting in pursuit of the points he wished to make. Most of the Thatcherites *believed* in something, even if for some it seemed it was only in her: belief can make bad, even embarrassing, television.

This committed partisanship was one reason why the Thatcherites' success in bending many of the great institutions to their will has been so limited: these institutions felt themselves, not so much under pressure (as they always had been by Prime Ministers, mostly of the backstairs kind) as challenged to take a hard look at themselves and become better people immediately.

A handful of powerful broadcasters – notably Sir Alastair Burnet and Brian Walden – are in or near her orbit: the BBC's new management, under Michael Checkland and John Birt, were concerned to put the corporation above the reproach of anti-Thatcherite partiality. But there are few acolytes within the television companies: and fewer than there were in the upmarket press, even that of the right. The media was protected by its belief in scepticism, challenge and attempted objectivity. For example: at the end Rupert Murdoch's newspapers split three to two in her favour. He, like her, was ultimately an outsider.

The British cultural community has been almost entirely hostile. The drama made out of Thatcherism has been unremittingly hostile – plays such as David Hare's *Pravda* and Caryl Churchill's *Serious Money*; the novels of Ian McEwen, Martin Amis, Fay Weldon and others; and British films such as *The Ploughman's Lunch* and *My Beautiful Laundrette*, tend to represent the age as a nightmare – full of vapid, vicious, voracious characters.

Jonathan Miller, author and theatrical director, sees in her a kind of monstrous commissar of petty bourgeois philistinism, concerned to spread the "values of the shopping mall" everywhere. Some of the most prominent authors came together last year, styling themselves the June 20th group: they include John Mortimer, Weldon, Melvyn Bragg, Margaret Drabble, Lady Antonia Fraser and Harold Pinter – the last the most distinguished name, and the most indignant member, of a group whose pronouncements have been no less hyperbolic than Miller's in their passionate denunciations of the cultural and social immiseration they see proceeding from her.

These worlds interlock with the larger and more amorphous one of the intelligentsia, especially that which earns some or all of its living in higher education. She, the most highly educated Prime Minister in the country's history, a beneficiary of Oxford, has appeared the most hostile to the separate world of the academy: it has responded.

Lord Jenkins of Hillhead, now Chancellor of Oxford, in many ways the most extreme form of the enemy without – sceptical, moderate, comfortable, elitist, understated – has blended his political skills and academic base to produce a shuddering rejection of her and her works. Sir Klaus Moser, once the Government's chief statistician and now head of an Oxford College, earlier this year launched a project to save British education from her clutches which stimulated a vast response from his fellows. Philosophy professor Ted Honderich, in a recent book on conservatism, dismissed its modern manifestation as simply greed given political power.

Yet some of the intelligentsia acted as her advance scouts – Lord Ralph Harris and Arthur Seldon of the Institute of Economic Affairs, followed later by people (now in charge) such as Graham Mather and Dr David Green: Dr David Willetts, of the Centre for Policy Studies; Dr Madsen Pirie of the Adam Smith Institute. Others – mainly historians or philosophers such as Professors Norman Stone and Roger Scruton and Dr Jonathon Clark – have put their intelligences, capacity for work and ability to attract controversy and media commissions at the service of the "new class".

Yet, overwhelmingly, the academics have rejected her. This is couched either as fastidious distaste or passionate denunciation. It is more than the whingeing of liberal arts dons: as she took her decision to go, the newly-formed Save British Science campaign (headquartered in Oxford, the centre of intellectual opposition, the withholder of her honorary degree) argued for an increase of £3bn a year for British science to retain a position in the world league – against a background of threatened redundancies in research centres and a lack of support from the corporations urged by government to make up the shortfall.

Here, too, in the academy – here most of all – the "us" are indeed individuals: sometimes – as with Professor John Vincent of Bristol – facing inflamed Trotskyist mobs because of their public partisanship. Yet where debate *has* been joined, the effect has often been osmosis rather than rejection: public policy thinkers on the left, as the the people writing for the Institute for Public Policy Research (a shameless Labour copy of a Tory success, the Centre for Policy Studies), Professor Raymond Plant, Dr Julian LeGrand and others have been , ceding ground to supply siders and public choice theorists, or at least incorporating some of their ideas. Curiously, as she goes, there emerges a kind of intellectual consensus – or at least a timorous inquiry if the two sides can occasionally play football between the trenches.

Did "they get her first"? Well, they got her, but perhaps too late to stop the sting she wished to inject from reaching a vein. Her party, after all, had moved from the estates to the estate agents: she had been the beneficiary, not the creator of that, and thus her message had fertile ground. If she did not win over the worlds of the academy and of the media, she helped changed the terms under which they thought and published: *The Independent* is not a Thatcherite newspaper, but it required the destruction of print union power for its existence.

At its best, her ethos is logic untrammelled by prejudice or sentiment: the reiteration of the question: "Why is it like this?" She may make some claims to have popularised the habit of asking the hard question.

Her age was riddled with contradictions. It was the first full-blooded conservatism of a populist time, and thus its role models were the people up from the bottom, or on the outside. Yet for every Sugar there are ten products of public school in the boardrooms: for every Tebbit, ten university-educated middle class MPs. Like the Bolshevik Party, whose terminal decline she assisted, hers was a revolution in the name of the creation of a classless society, effected largely by the middle class. A social revolution is impossible in Britain; the more interesting question, is how far the elites, including the public schools (which gained in strength in her time) have accepted the new thought.

Though more than any other administration, hers had opened up the UK economy to the international market, she fell protesting the imperatives of a "sovereignty" her own market liberalism had helped to render otiose, and about which her "children" did not seem to care. A more passionate Atlanticist than any other politician – especially when President Reagan was on the other side of the Atlantic – she remained to learn (if she did) that America was the wrong horse to back, and that the managed capitalism of the Germans, French and Japanese offered more appealing role models.

Few appreciations of her have been as generous as that accorded by Lord (Noel) Annan in his *Our Age*. He contrasts the perceived virtues of his "age" – subtlety, high culture, irony – with the perceived *petit bourgeois* raucousness of hers: and finds his age, and the later generation of intellectuals, snobbish, ungenerous, even deliberately distorting in their desire to excoriate her. "As a pluralist I was intrigued that her critics would not acknowledge that the virtues she espoused were virtues; they insisted that self-reliance could only be a synonym for private greed."

Yet, in the end: "She was even more the prisoner of her ideology than the socialists she despised. To each problem she applied ideology like emulsion paint to the fretwork of society with a broad brush. No wonder the fretwork got clogged and the paintwork lumpy and cracked".

No doubt. But she has founded Her Age too: and it is still about us with a time to run.

The rise and fall of the two Maggies

The Long View

BARRY RILEY

The Prime Minister was a favourite of the financial markets during her early and radical years, but they have become increasingly disillusioned since 1987

THE FINANCIAL markets will remember two Margaret Thatchers. They will always venerate the memory of Thatcher I, whose brave radicalism restored the fortunes of capitalism in Britain and salvaged the pound sterling from its 1970s drift towards disaster. They will have less printable things to say about the blunders of Thatcher II who in the later years wandered increasingly out of touch with reality, eventually achieving self-mutilation via the poll tax.

This week it became perfectly clear that late-era Thatcherism has no longer been adding a premium to the sterling markets. As she faltered and then announced her intention to resign the stock market gathered in strength and the foreign exchanges remained calm. Margaret Thatcher had become a likely loser for the Conservatives at the next general election, and the unsentimental markets will much prefer any potential winner who just might keep Labour at bay.

Before long, however, the markets may begin to have some second thoughts. Britain could well return to consensus pre-election politics, and to the flabbiness of the 1970s. Perhaps, now that the currency is linked to the deutschmark, the Bundesbank will enjoy enough indirect dominion to inject some steel into British economic policies in the absence of the Thatcherite backbone. But just as Thatcher's assumption of power in 1979 represented more of a watershed than anyone could have foreseen, so her resignation after 11 years could prove of tremendous significance.

The trouble with Thatcher II was essentially that she came to believe that Thatcher I had worked an economic miracle. In this daydream she was joined by Nigel Lawson, her Chancellor. As a result, from 1986 onwards, huge risks were taken with economic policy in the belief that the British economy would respond quite differently in the future to monetary stimulation. In fact, of course, it behaved almost exactly as it had done in the early 1970s, although with the difference that excessive private borrowing replaced excessive public borrowing.

This is not to deny that Thatcherism had tremendous impact. Revolutionary economic advances were in fact achieved, but it takes much longer than five or six years to transform a major industrial economy. Unfortunately, after Thatcher I had correctly decided that severe pain had to be inflicted, Thatcher II was persuaded that a big payoff from the restructuring of the economy was due. From that attitude were derived the persistent neglect of the physical and educational infrastructure and the belief that a "top down" invigoration of decision makers could produce better and quicker results than a patient "bottom up" rebuilding of the industrial framework.

The scene was set for the rise to fame of the wave of Thatcherite entrepreneurs. But most of them proved much better at wheeling and dealing than at actually making anything, and one by one they sadly collapsed as the economic boom turned to bust.

Thatcher was nearly as hostile to the entrenched traditional industrialists as she was to the trade unions, or indeed to the Tory political Establishment. Leading Seventies corporatist tycoons such as Lord Weinstock were out of tune with Thatcherism. The list of worst-performing stock market sectors since 1979 is dominated by electronics, motors, metals, textiles and engineering. Top are pharmaceuticals, life assurance, supermarkets, publishing and brewing, most of them insulated from foreign competition but well-placed to benefit from rapid consumer-led growth. Once glamorous candyfloss sectors, such as agencies and leisure, have mostly sunk out of sight.

The problem was that when Thatcher I had finished demolishing the political and industrial establishment Thatcher II had no credible blueprint for reconstruction. Free markets would surely find a way: yet while entrepreneurs built flimsy retail empires, went on takeover sprees and awarded themselves £1m-plus pay packets the Japanese were invited to run large sections of our car and electronics industries.

Similarly, Thatcher I had considerable success in squeezing inflation out of the system through rigorous monetary policies in the early 1980s. But Thatcher II, and her ministers, had no idea of how to keep money under control during an economic upturn. By mid-1988 the emergency brakes had to be slammed on, an economic misfortune which began to clash seriously with the Prime Minister's antagonistic approach to Europe. To maintain monetary sovereignty it is necessary to run a sound currency, but although Margaret Thatcher kept insisting that control of inflation was her Government's first economic objective it was clearly, by that time, no longer true.

In the end sterling's absorption into the European Monetary System reflected its own weakness and Margaret Thatcher's too: it is no coincidence that she has survived ERM entry, which she resisted for so long, by less than two months. Her erstwhile ministers, such as Sir Geoffrey Howe and Nigel Lawson, have claimed that joining the ERM back in, say, 1985 or 1986, would have allowed her Government to avoid the disastrous inflation and interest rates of 1989 and 1990. But it cannot really be as simple as that. The shadowing of the DM in 1986 and 1987 proved to be destabilising, and ERM membership would have had similar effects; only unpopular measures to restrain consumer spending and hold down house prices could have headed off the subsequent inflation, and Thatcherism would then have had no way of reducing unemployment from 3m.

Many of the economic tenets of Thatcherism have proved misguided: that private borrowing could not be inflationary, or that free markets could safely be left to themselves. But Thatcher I's willingness to adopt unpopular and even provocative economic solutions proved crucial in creating a fundamentally more healthy economy. That basic toughness needs to be retained, but it probably will not survive her, and the financial markets may yet have to count the cost.

CONTENTS

FINANCE & THE FAMILY – THE ELECTRICITY PRIVATISATION

David Thomas introduces a two-page report on the risks and tips for investors in the biggest and most complex UK privatisation yet

The national sale which offers local bargains

MARGARET Thatcher may have decided to go, but the privatisation programme keeps on rolling along. The 12 regional electricity companies are now on offer to the public, after a marketing campaign which has touched new depths of inanity.

Can the £5.2bn sale possibly be as profitable for the private investor as most of the Government's previous privatisations? Certainly the stock market omens are not propitious, with shares having their worst year since the Conservatives were elected in 1979, thanks to the slowing economy and the Gulf crisis.

Many of the tactics which made previous issues so popular have been used again. Investors are again being asked to pay for the shares in three instalments, with the first payment priced at a nice round 100p.

Generous incentives, in the form of discounts off electricity bills, are available to those who apply for shares in their local company.

Those who sell their shares before the second instalment could receive a return of 29 per cent, even if the share price does not rise. This is because investors will by then have received the first £18 incentive voucher and will be eligible for the net dividend, which should average 10.5p per share.

Even if investors hold on to their shares for the long term and pay

> The marketing campaign has touched new depths of inanity

the full 240p share price, they will be eligible for up to £270 in discounts or a possible 300 bonus shares. The perks show how John Wakeham, the Secretary of State for Energy, is determined to make the last privatisation before the next election a success.

The City is expecting an average opening premium of about 24p on the 100p partly-paid price. Even the threat of a Gulf war is cushioned by Wakeham's announcement this month of a get-out clause in the event of conflict. This reassured the City and removed the last remaining obstacle to a substantial take-up of shares.

Few people would question Wakeham's achievement in bringing the privatisation this far, for the three-pronged sale of the electricity industry is easily the biggest privatisation to date.

The sale of the regional companies will be followed by the privatisation in February of National Power and PowerGen, the two generating companies in England and Wales, and by the sale next summer of Scottish Power and Scottish Hydro-Electric. Total proceeds from the programme are expected to top £10bn.

Perhaps even more impressive than the scale of the privatisation has been the reorganisation of the industry. No other state sell-off has been preceded by such an upheaval designed to foster competition.

Competition was introduced at two points in the system, as the Central Electricity Generating Board, the monopoly which dominated the industry, was swept away.

First, there will be competition between generating companies: National Power and PowerGen will initially dominate but some independent power producers are already active. Instead of the large coal and nuclear stations favoured by the CEGB, smaller gas-fired stations have emerged as the preferred option for the '90s, as they are cheaper, quicker to build and environmentally friendly.

Second, the final supply of electricity to customers is an arena for competition. This year has seen a fierce struggle for the custom of large industrial groups, the only category of customer allowed to shop around for competitive supplies at present.

The losers from this outburst of competition have been the 12 regional electricity companies, with South Wales, for example, shedding more than a third of its total demand this year. The question engaging industry followers is: does this matter?

Many analysts say not. Perhaps as much as 80 per cent of the source of the companies' profits depends on their distribution of electricity over their local wires. This distribution business is fairly safe because it will remain a monopoly.

The supply business, by contrast, provides a relatively small share of a regional company's profits, less than 10 per cent. However, supply profits are volatile and difficult to predict. Government advisers are taking comfort in the regulatory regime governing electricity price rises: this allows the regional companies to compensate for supply

> Managements are almost entirely untried in the private sector

profit volatility in one year by their prices in subsequent years.

The stability of the distribution business underpins the prospectus statement that "each regional electricity company believes that, over the next five years, its distribution business should provide a sound basis for real earnings growth". Yet it would be wrong to view the regional companies as risk-free.

Their and they will have to operate in a radically new industry structure. Professor Stephen Littlechild, the industry's regulator, remains a largely unknown force. The election of Labour to government, with its commitments such as renationalising the national grid, would transform the industry's prospects.

Many City analysts expect the performance of the regional companies to diverge quickly. The local economies of the 12 companies are a mixed bunch: their local economies vary widely as do the prospects for the amount of electricity flowing over their wires.

The Government has tried to anticipate these differences through a handicapping system. The more vulnerable companies have been given more generous yields, more headroom to raise prices and a lighter starting debt. The aim has been to create a level playing field, on which all the companies could deliver about 4 per cent growth in real earnings.

It will almost certainly not turn out this neatly. However, few people outside the circle of government advisers can anticipate how the companies will diverge. The most important information for forming such a judgment is missing from the 800-page prospectus: each company's forecasts of electricity and economic growth in its area.

In these two pages we offer a comprehensive guide to buying and selling electricity shares, and to keeping your shares in a Personal Equity Plan. We also give guidance on how electricity shares can be valued compared with the rest of the market and comment on the prospects of each of the individual companies.

Although some investors will try to pick the company which will have the biggest opening premium, many will follow the path of least resistance and buy shares in their local company in order to receive the incentives on offer.

How To Buy

Three types of investor

IF YOU WANT to apply for shares in the regional electricity companies, you have to be one of three types of person:

(a) The forward-planning type who made sure he/she was eligible for customer and non-customer incentives by registering interest in buying shares with the Electricity Share Information Office before November 15;

(b) Someone who missed the incentives deadline but still registers by midnight tonight;

(c) The person who wants to buy shares but who fails to register by midnight tonight.

A group *(a)* person qualifies for an attractive range of incentives, between which he/she will have to choose when making out an application.

If you buy shares in a company of which you are a customer, you can either opt to receive vouchers which can be offset against electricity bills, worth £18 for every £100 invested up to a maximum of £270 of vouchers, OR one free share for every 10 you buy in the flotation and hold continuously for three years – up to a maximum of 300.

Your application will also receive preferential treatment, although there is no guarantee you will get any shares if applications are very heavy.

If you decide to buy shares in a company of which you are not a customer, you are eligible for free shares on a 1-for-20 basis, up to a maximum of 150. But you cannot then also apply for incentives in your local company.

You are entitled to apply for shares in as many companies as you like but remember the golden rule: that it is *against the law* to make more than one application in any one particular company for the benefit of any one person.

However, you may: make a joint application with up to three other people aged 18 and over; apply on behalf of children, grandchildren and wards as well as yourself; or authorise any responsible adult to make an application for your benefit.

The process of application will be easier for the *(a)*s and *(b)*s. If you are in the *(a)* category, you will receive through the post a mini-prospectus, containing a personalised application form, by the middle of next week.

People who registered for incentives should on *no account fail to use* this form since if they do they will forfeit the right to all incentives. It will also enable them to apply for shares in any or even all of the companies, making out only one cheque.

Group *(b)* people will receive a prospectus containing only a public application form. From next Wednesday, these will also be published in national and regional newspapers and made available at banks and post offices.

These public forms will be the only way of applying for the *(c)* category. You need to make out a separate public form for each of the companies in which you apply for shares.

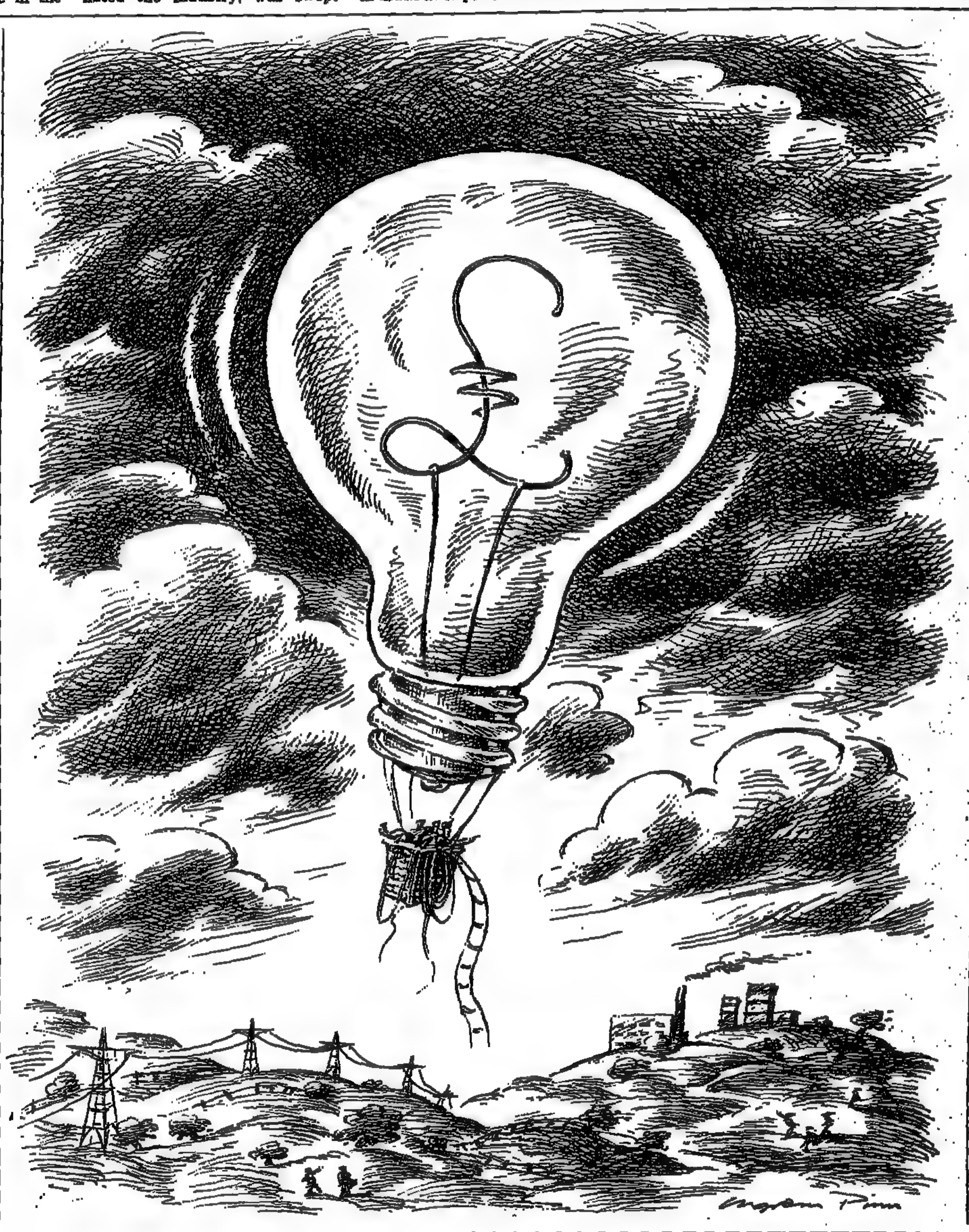
At the partly-paid price, the minimum application you can make is for 100 shares. There is no maximum, but bear in mind that if allocations are scaled down you may only get a small proportion of the number of shares for which you applied.

Instructions for delivering your form will be shown on the back of the forms. Postal applications, which should be sent to the receiving centre appropriate to the company in which you are making an application, need to arrive by 10 am on Wednesday December 5.

Alternatively, before 4pm on Tuesday December 4, you can take it by hand to any branch of Lloyds, Barclays, NatWest, Bank of Scotland, The Royal Bank of Scotland or Ulster Bank. The form also lists 21 other centres in cities around the country which will receive hand-delivered forms by 10 am the following morning.

The basis of allocation will be announced on Monday December 10, ahead of the start of dealings the next day. But share certificates and any returned cheques will not be sent out until Friday, December 19.

Clare Pearson



How To Sell

Shop around for best deal

A NUMBER OF stockbrokers, banks and building societies are offering special deals for investors wishing to sell their shares. The following have been notified to the *Weekend FT*:

Britannia Building Society is offering reduced commission rates – £10 for those selling up to £200 of shares, £15 for between £201 and £400 and £18.75 for between £401 and £1,315 worth. A family can pool their shares and pay only one commission charge provided all the shares are in one company. However, you must have a Britannia investment account to qualify. Details from a Britannia branch.

Broker Financial Services is offering a £10 charge for selling a family's shares (they must have the same surname and address), but only if you apply through the company. Details on 0296-399633.

Diameter Stockbrokers is charging £10 commission per electricity company for up to four members of a family. If you apply through Diameter, you will be able to sell your shares by telephone before certificates are issued. Details on 0483-301893.

Dunbar Boyle Kingsley is offering a commission of £15 up to £1,000 worth of shares, with a charge of 1.5 per cent thereafter. Shares in one company can be lumped together by family and friends and the offer is open to next September. 071-628-9898.

Investorlink will charge just £7 on sales of up to £1,000, but only if you apply through its service. From £1,000 to £1,700 the charge is £12; above £1,700 it is 0.75 per cent.

Killik will sell shares for a flat fee of £10, including the lumped together holdings of families from the same address. For those who apply though the company, there is a £2.50 voucher. 071-589-1577.

Leeds Permanent Building Society is offering a free share dealing service for customers who apply through the building society, provided you only want to buy or sell shares in one company. There is a £10 commission for each additional electricity company. If you do not apply for your shares through the Leeds you will have to pay £10 commission per company. Families (up to four people with the same address and surname) can lump their shares together if they are in the same company.

Midland Stockbrokers, the share dealing arm of Midland Bank, is offering a flat fee of £15. Up to four members of one family can sell shares in one electricity company and pay only £15 in total. Bank customers can sell their shares at any branch; others can deal at one of Midland's share shops.

Redmayne Bentley, the Leeds-based stockbroker, is charging a minimum of £15 per application, with a scale rate of 1.5 per cent of the value of the sale. Families can lump together their sales in one company. 0532-436941.

Sharelink is offering a number of special deals to those who use it to apply for shares. Those who want to sell on the first day will pay a fixed commission of £5 with £2.50 for each additional family member. Those who want to sell by telephone will pay a minimum rate of £12.50. However, if you have not enrolled already, it is too late.

Skipton Building Society is offering a free dealing service for customers who apply for shares through the society. It covers the sale of shares in any number of electricity companies and for up to four family members. Proceeds from the sale of shares will be paid directly into your Skipton account. Dealing is through Capel-Cure Myers Capital Management, which will check applications to make sure they have been filled in correctly.

Yorkshire Building Society is offering a commission of £10 on the first £300 worth of shares or £15 for larger amounts. Only one charge will be made for up to five members of a family. However, you can only sell if you call at a building society branch with a share certificate and identification.

Sara Webb

Juliet Sychrava outlines the basic facts about how the companies generate their income

Risk, reward, the cold and the X factor

Q: SO THIS IS my big chance to invest in electricity?

A: Up to a point. National Power and PowerGen, the two generating companies in England and Wales, will be sold in February. The Scottish companies will follow next summer. It is only the 12 regional electricity companies that are being privatised in December.

Q: And they are a safe, boring investment - right?

A: Yes – and no. The regional companies have two main businesses: distribution and supply. Distribution is the safe and boring bit. It owns the local wire system, and charges suppliers (primarily its sister supply business) for using it. Because suppliers almost always have to use the local wires, the revenues in this business are secure and the margins relatively good.

The supply business, on the other hand, is neither safe nor boring. It buys electricity from the generators, via the central pool, and sells it to customers. The skill lies in juggling the small margin between huge revenues from consumers and the huge costs of buying electricity. And as we know from the balance of payments, when you are juggling two big numbers, a small mistake can put you well into the red.

Q: That sounds dangerous.

A: It is true that if a regional company miscalculated what to charge customers in any one year, supply profits could vanish. That could mean uneven total profits.

However, most analysts still think that the supply business is too small relative to distribution to have much impact – no more than 5 per cent of total profits, while distribution represents around 80 to 90 per cent. So supply profits are the icing on the distribution cake – thick one year and thin the next.

Q: The supply business makes its money by selling electricity to customers. So can't the companies just raise their prices?

A: Not now they are under the watchful eye of Stephen Littlechild, the head of the Office of Electricity Regulation (OFFER).

The regional companies have all been assigned a formula – usually known as their X – which dictates how much they can raise their prices. It was designed like a handicap system, so that companies with, for example, less natural economic growth in their region have a higher X, allowing them to put their prices up more.

Q: It sounds as if my electricity bill is unlikely to come down.

A: That really depends on the pool price, which has been lower than expected. If more competition in generation develops, as the government intended, then bulk electricity prices might come down. If they do, the regional companies will have to pass that benefit on to customers.

Q: Immediately?

A: At present there is an upper limit to what each company can charge. This takes into account, among other things, the cost of buying from the pool. If it over-charges, it must cut prices the next year. If it undercharges, on the other hand, it can raise prices, within limits, over following years because it is entitled to pass on certain costs – like the cost of the electricity itself – to the customer.

This is why revenues in the supply business can fluctuate from one year to the next. This year, for example, the companies altogether expect to have undercharged in the supply business by £94.3m post tax – almost 25 per cent of their total £388.9m underlying current cost earnings.

On the other hand, how the companies perform this year is not necessarily indicative of the future, since they were assigned supply contracts by the government rather than structuring them themselves. Even if a company is entitled to raise its prices, it *may* not make business sense to do so. Suddenly raising prices could mean losing customers. Some regional companies believe if they under-recover they may never claw back all the lost revenues.

Q: It all sounds risky.

A: Yes, but most companies hope to manage that risk by securing a good portfolio of contracts to protect them from fluctuations in the pool price.

Q: Now it's beginning to sound complicated. And I thought this was a simple business of keeping the lights on.

A: The new electricity industry was designed around what is effectively a commodity market in electricity, in order to introduce competition both in generating and supplying electricity. The regional companies have to buy from that commodity market, so they will need teams of sophisticated negotiators to design the best possible hedges against risk.

That is what the contracts are: financial instruments, or hedges, agreed between a regional company and a generator.

Put simply, the regional company pays the generator an upfront fee, then if the pool price moves above an agreed price, the generator pays the regional company the difference between the two. So both are hedged.

Q: Doesn't that mean the regional companies are totally protected?

No, because they can miscalculate their contract cover. If they do not have enough contracts to cover their electricity demand then they are exposed to a rising pool price. If they are over-covered, and the pool price is low, then they are paying for cover they do not need. Smart regional companies, of course, may try to get their customers to take part of the pool price risk.

Q: What about returns? If the weather turns nasty, does that mean I can expect a higher dividend?

A: That depends. Companies with mostly domestic consumers – mainly in the south – benefit from cold weather, because domestic heating responds quickly to a temperature drop. And in the end what is most important for the core business of the companies is growth in volumes. But for companies with mainly industrial consumers – like Northern, and Yorkshire – weather is less important.

Q: Does that mean that the northern companies have less opportunity to increase their revenues – and profits?

A: No. It is true that the southern companies tend to have above-average regional economic and population growth, while their northern counterparts have below average growth. But the X factors take account of that.

Q: But the northern companies with industrial customers must be more vulnerable.

A: Some brokers think so. Under the present system consumers taking over 1 megawatt can choose their supplier, which means that the market is more competitive. These large customers are more likely to buy straight from the pool, or to invest in on-site generation. Their demand for electricity may also be more unpredictable, and more vulnerable to economic downturn.

Q: So overall the southern companies are safer?

A: Not necessarily. The government's handicap system is designed to make all the companies equally attractive to investors.

If you assume that the x factors will even out regional differences then you can concentrate on management's ability to handle the supply business, and to cut costs. It is worth noting that the northern companies are used to a tough environment and may be leaner and meaner – though that may mean they have less scope for improvements and growth in future.

Q: So they are all much of a muchness?

A: It is worth looking at the dividend policy statements in the pathfinder prospectus.

The companies divide into the "progressive" and the "realist" camps – which tells you something about their expectations for their business. And while some companies have made a point of vertical integration by investing in generation, and some have placed the emphasis on expanding their electricity shops, others have chosen to stick to their core business.

Local investor demand will also considerably affect the initial performance of the shares: companies with smaller floats in regions where there is wider share ownership should do best.

Q: But it doesn't sound as if I can expect spectacular earnings growth from any of them.

A: Most of the regional companies expect modest growth in the distribution business. After all, that is built into the formula that allows them to increase prices and ensures that no one company has a particular advantage. The only unexpected growth will come from the unregulated parts of the business, notably the retail divisions. And remember that all the companies get a dividend from the National Grid Company, in which they are shareholders.

Q: Still, doesn't the nature of their business means that the companies do not have much flexibility for creative management?

A: True. They would say that the most they can do is cut costs, try to secure more customers, and diversify where appropriate.

Q: It sounds safe and boring after all. But what if overall electricity consumption falls?

A: There is a chance that more customers will opt for on-site generation, particularly in the shape of combined heat and power (CHP) units. Some of the companies have already invested in the CHP business. But overall, electricity demand is set to grow.

Q: What happens if Labour wins the next election?

A: Labour has promised to renationalise the National Grid and would probably strengthen the regulator's powers. It also opposes gas-fired power stations, which are one of the generators' preferred ways of cutting costs.

Q: Last but not least, what if there is a Gulf War? After all, I remember what happened to the BP shares when the stock market crashed.

A: There's a clause in the underwriters' agreement allowing them to pull the issue in the event of war. But the risk obviously remains that the war could break out immediately after the shares start trading, causing prices to drop.

By David Thomas, Clare Pearson and Juliet Sychrava

How the companies measure up

SEEBOARD

Seeboard: Initial market value: [illegible]
This is the domestic company *par excellence*. Making proportionately more of its electricity sales to private homes than any of the other companies, it is consequently more than usually affected by changes in the weather and the housing market, a cloud which continues to hang over it as it enters the private sector.

However, its area, which spans Kent, Surrey, East and parts of West Sussex, also contains significant numbers of commercial customers. Their ranks are expected to be boosted by the opening of the Channel Tunnel, although it is hard to say by how much. The X factor for Seeboard's distribution business has been set at the low end of the spectrum – 0.75 – but higher than that of Eastern, Southern and London.

Seeboard's flotation is bound to bring the enthusiastic sharebuyers of Tunbridge Wells and Esher out in force and, since its shares will be in relatively short supply, that could achieve one of the biggest premia on flotation. There is a general view that its position at the low end of the yield spectrum, on an initial 8.2 per cent, could be hard to sustain thereafter; however, the distribution X factor is not too demanding.

SOUTHERN ELECTRIC

Southern: Initial market value: £648m
Southern seems to have everything going for it. It is the second biggest of the companies and its region, which stretches from west London to Wessex and includes such towns as Reading, Basingstoke and Swindon, has excellent prospects for economic and demographic growth.

It also has an almost ideal customer break-down. This is chiefly domestic and commercial, but the industrial part is also very diverse, so that the loss of any one of them would not make too much impact. Its management team is also one of the most highly regarded and was heavily involved in negotiations when the structure of the new electricity market was devised – experience which may now give it a competitive advantage. The X factor for its distribution business is the third lowest at 0.65.

Everyone expected Southern's flotation yield to be low but, before Wednesday, there was an expectation that the government would pitch it a touch higher than that of Eastern. The decision to put them both jointly at the bottom of the range on 8.03 per cent may have been based on the great expectations held of Southern's management. That creates a challenge for the future, while in early dealings investor attention is likely to focus on smaller companies with higher-yielding shares.

LEB

London: Initial market value: £523m
Do not confuse London with Thames, the biggest of the water companies which spanned the Home Counties. London is much smaller, centred on the City and the West End, although it stretches to Loughton and to Dartford.

This densely-populated, urbanised region means that its turnover is out of proportion to its geographical size and is dominated by commercial customers, accounting for more than half of its sales. As such, it has better-than-average growth prospects and a low exposure to loss of customers through opting out or autogeneration, although these have been taken account of in its distribution factor of X.

It also grapples with distinctively urban problems such as bad debts, electricity theft, higher labour costs and difficulties in installing new equipment.

With an initial yield of 8.28 per cent, London's shares are generally viewed as relatively attractively priced given its good medium-term prospects. Analysts are, however, divided over the quality of its management, which needs to make some cost savings given the limitations on its ability to raise distribution prices.

SWEB

South Western: Initial market value: £295m
People at South Western think a lot about the weather. They have to: the company's network of overhead wires which runs all along the thin Devon and Cornwall peninsular is acutely exposed to elements.

The Bristol-based company also has a high proportion of temperature-sensitive domestic customers, to whom it has been particularly successful in selling off-peak night-time electricity for heating, giving it an unusual load profile. There is another side to the company in that it has enjoyed rapid growth in sales to commercial customers as Lloyds Bank and other companies have relocated to Bristol. Defence-related companies such as British Aerospace and Rolls Royce play a big part in its industrial sales.

When the pricing regulation for the electricity companies was negotiated, concerns about cuts in defence-spending were at their height; that proved useful to South Western which managed to gain much greater scope for raising distribution prices than the other so-called domestic companies. With an above average yield of 8.44 per cent, there is scope for the shares to outperform.

South Wales ELECTRICITY Trydan De Cymru

South Wales: initial market value £244m
The City is warming to South Wales, the smallest and, at first sight, one of the most vulnerable of the regional companies. It lost more of its supply business this year than any other company, but shedding such low margin custom may turn out to be a blessing in disguise. Its top managers, regarded at first with some suspicion, have been winning friends during investor presentations for their down-to-earth approach.

South Wales has been compensated for its over-dependence on heavy industry with the lightest starting debt and, jointly with Manweb, the greatest headroom to raise prices through its X factor. Its issue yield of 8.87 per cent, however, is perhaps a shade less generous than some people expected.

The restructuring of the South Wales economy in the 1980s makes it difficult to read. The company's small size will put off some institutions which value liquidity. But in the medium term the shares are likely to be bouyed by hopes of a merger with another regional company. And in the immediate aftermarket, South Wales could outperform as investors take a punt on the good deal it has won from the government.

TIMETABLE FOR PRIVATISATION	
Dec 5:	completed application forms to be received
Dec 10:	allocation of shares announced
Dec 11:	dealings begin
Dec 19:	certificates sent out
Oct 22 1991:	payment of second instalment
Sep 15 1992:	payment of third instalment

EASTERN ELECTRICITY

Eastern: initial market value: £648m
Eastern, the largest of the regional companies, is making parts of the City nervous. Jointly with Southern, it has the least generous issue yield of 8.03 per cent, and it is second only to London in the tightness of the constraints placed on its ability to raise prices.

While a tough framework was expected, given the dynamism of its East Anglian base, the starting conditions were nailed into place by the government just as Eastern's local economy was hit by the recession. Its top managers will have to work hard in the early years, but the cohesion of the team is also causing concern given the dominance of James Smith, Eastern's high profile chairman.

Comfort can be drawn from the underlying strength of Eastern's economy and from its size, since many large institutions will feel obliged to keep it in their portfolios. However, it has been set tough targets: do not expect it to out-perform in the medium term.

Yorkshire Electricity

Yorkshire: initial market value: £497m
Yorkshire's biggest problem now is over-popularity: its forceful management team has won such favour with the City that investors may look elsewhere for unexpected value. But that does not alter the fact that the company has a decisive and identifiable strategy in favour of investing in generation, and winning more supply customers.

Whether that is good or bad depends on how the industry develops long term. Supply could turn out to be a low-margin risky business, or a way of selling customers added value and assuring a place in the industry of the future. Yorkshire has thrown its hat in the ring – and it is a large and solid hat.

Distribution prospects in the region, the company admits, are not bright: hence its decision to stake its all on supply, generation and retail, the unregulated businesses. Its record in retail is good and its achievements in cost cutting among the best.

Given that over the next few years the regional companies' performance will really depend on cost-cutting, winning volumes, and managing the supply business, Yorkshire should do well.

It extracted a nice plump X factor from the government, which means regional troubles can be discounted; it shouldunder-recover by only £7m this year, less than any other regional company; and it is committed to the supply business. The shares on which the initial yield is 8.58 per cent are expected to outperform on fundamentals.

NORTHERN ELECTRIC

Northern: initial market value: £295m
Northern is on the highest yield, 9.03 per cent, of all the regional companies, but finding an analyst who thinks it has been undervalued is difficult: some even think it is overvalued at the present level.

Criticisms of the company focus on management weakness, and a heavily industrial customer base. While other "industrial" companies have distracted attention from their handicap by concentrating on marketing and retail, or have turned it to their advantage by concentrating on winning more industrial customers, Northern has no obvious strategy.

That might not look so bad when some of the glossy images cultivated for privatisation start to tarnish, and Northern's decision not to court supply customers (it lost 57 per cent of its unit sales to non-franchise customers to other competitors) might yet turn out to be an advantage.

What will be less easy to overcome is the negative image the management team has in the City, particularly as time goes by and management becomes a more significant factor in investor decisions. It is thought that the company will perform below average over the long run, although in the short term it may win some support from investors looking for undervalued companies at the top end of the yield range.

Manweb

Manweb: initial market value: £285m
Manweb was initially perceived as an "industrial" company, and 54 per cent of its customers are industrial, against a 36.7 per cent average for the industry. But the company has managed to quell City anxieties about the potential loss of supply customers to own-generation or other suppliers by concentrating on marketing management services to industry while developing its core distribution business. It has opted out of generation, and has been explicit about its reasons for doing so.

Manweb's chances in the core business are good: the potential for growth in its region – which covers North Wales, Cheshire and Merseyside – has probably been underestimated, and the company has been given the highest X factor, together with South Wales.

It has, moreover, a confident and adventurous management team, with a strong image among investors, and is one of the companies most likely to expand its distribution business outside its territory.

Manweb's yield at 8.89 per cent is the second highest of the 12 companies, and has scope to come down – particularly in the context of a high X factor and a strong management. This is one of the most likely companies to outperform in the short term.

NORWEB

Norweb: initial market value: £415m
Investor perceptions of Norweb are still somewhat vague: the company is northern, but not "industrial", and its management, although by no means considered weak, is one of the less vocal and obviously dynamic. It falls, moreover, somewhere towards the "northern" end of the league, but towards the middle: a small to medium-sized company, with the second highest yield of the 12 and an X factor towards the top end of the range.

Norweb has a good spread of customers: very close to the industry average, and although the regional outlook is below average Norweb may well be good at picking up new customers. It has a strong marketing director in Malcolm Faulkner and has a proven track record in the retail business, where it has been particularly aggressive in moving outside its own territory.

It is worth noting that because Norweb expects to over-recover by £15m in the supply business this year, it can cut prices to customers next year without having to make additional cuts in costs. There is something of a question mark over its likely fortunes in the supply business longer term: it has presented itself very much as a marketing and distribution company so far.

The company is likely to be viewed as a safe, middle-of-the-pack candidate, possibly too traditional but good within prescribed limits. The shares, initially yielding 8.68 per cent, should turn in an average performance, perhaps falling off longer term.

MEB

Midlands: initial market value: £503m
The management team at Midlands has impressed institutional investors as well-rounded, sensible and resolutely unspectacular. Rationalisation in the past decade has left it with an economy not wildly out of line with the national average, though still with something of a bias towards manufacturing.

The government has reflected Midlands's somewhat unexciting virtues by giving it initial conditions, including an issue yield of 8.36 per cent, firmly in the middle of the pack. Some analysts think Midlands did well in its price control negotiations, although it will be a year or so before anyone knows for certain.

This is a share to lock away in a drawer and forget about. Safe and boring: the classic utility stock.

East Midlands Electricity

East Midlands: initial market value: £523m
East Midlands has one of the most distinctive strategies of all the regional companies. John Harris, its well-regarded chairman, believes in vertical integration: he is keen to keep low margin supply business and is an enthusiastic investor in generation projects.

The company's fundamentals are reflected in its issue conditions, including a middle-of-the-road yield of 8.36 per cent. One plus point is its local economy, which is perhaps slightly more robust than that of Midlands, its sister company, saddled with an almost identical set of targets.

East Midlands looks firmly middle-of-the-pack in the short term. In the long term, East Midlands will do either spectacularly well or badly, depending on whether its chairman has managed to pick the right strategy: perhaps one to avoid if you value the companies for their dullness.

THE *FT* has published full profiles of nine of the regional companies in its Company News section. Back copies are available from the *FT* on 071-873-3000, extension 4683/4684:

Eastern.......Oct 9
Seeboard......Oct 16
South Wales......Oct 23
Norweb......Oct 30
Southern......Nov 8
Manweb......Nov 13
Northern......Nov 16
London.......Nov 20
Yorkshire......Nov 23

The remaining profiles of East Midlands, Midlands and South Western will be published next week.

What The Experts Say

The safety package

BUY YOUR local electricity company, or buy the package of the 12, and hold the shares until next summer: that is the City's advice to the private investor.

If you do buy you are unlikely to suffer sleepless nights. The issue will be heavily over-subscribed, the City believes, and institutions will be very short of stock. Moreover, from the private investor's point of view, you could hardly find a better home for your money.

Not only do you collect £18 worth of vouchers for every £100 of partly-paid shares – up to an initial 300 share limit until next September when you claim more vouchers – but you get an average gross dividend of 14p plus likely capital gain of 24p on each share. That gives you more than 50 per cent return.

Smith New Court believes that the companies "offer excellent underlying earnings and dividend growth which will beat inflation by a good proportion".

In the long run, the company believes, dividend growth may be as good as that offered by the water companies.

Hoare Govett, however, advises buying the 12-company package, which it expects to trade at a premium, because of the strong regional economy risk attached to a single company.

Smith New Court recommends going for a small allocation in each company as you are only likely to get a small number of the shares you want.

The shares are unlikely to be held back by the performance of the comparable water stocks, as some analysts initially thought, now that water has moved up in line with expectations of bullish electricity prices.

However, over the long term, regional risk is likely to be more of a factor in electricity than water.

"We think they should yield more than water," says Mr Arthur Hepher, analyst at Laing & Cruickshank. "They seem to us to be more risky. They are more vulnerable to the economy, and sooner or later the environmental factor may work against them."

The companies are, like all utilities, fundamentally safe," says Mr Nigel Burton, analyst at SG Warburg. "In the short term, it's clear that they are all very likely to meet their profit forecasts and this year's dividend is therefore not in doubt," he says.

"Medium to longer term, the risk is that as the regional economies change relative to the national economy, performances will diverge."

This could mean that the X factors set by the Government to ensure a level playing field will be out of date.

The City is still divided over the risks the investor should watch for. In the early days of the privatisation process, brokers emphasised the risks attached to the companies with industrial customers – such as Northern and Yorkshire . More recently, a counter argument that these companies have been undervalued has begun to emerge.

Laing & Cruickshank, for example, believes the yields on "industrial" companies were set high.

"People have been rather over-worried by these companies, and in setting the yield the Government also paid a lot of attention to local demand for the shares, while institutions will try to judge on fundamentals," it says.

One broker takes an independent line. Mr Chris Rowland at BZW believes the real risks for the electricity companies lie in the supply business, and the companies to choose are those that have decided to concentrate on distribution: London, South Wales, South Western, Manweb and Northern.

"What the private investor should look for is how well these companies can beat X, and how," says Mr Tony White at James Capel. "That is the way they will be able to provide a good healthy dividend stream into the future."

Deciding which companies will beat X is, analysts believe, either a question of betting on management, or on outperformance of regional expectations.

In the management stakes, brokers believe investors should pay some attention to the companies' record in meeting Government targets. Yorkshire is the hot favourite, closely followed by Manweb, with some votes for Norweb.

When it comes to regional outperformance, Hoare Govett is betting on East Midlands (Milton Keynes in particular is a boom area, the company believes) and on Southern.

South Wales is another company certain brokers think has been underrated, both in terms of management and regional potential. London is either loved or hated, and Northern viewed as least likely to succeed.

Seeboard is thought to be overpriced and Manweb is generally viewed as underpriced.

"It would be unwise to do a straightforward geographical analysis," warns Smith New Court. "What you're looking to invest in is high quality managements where the value is not entirely reflected in the price of the stock against the package."

Juliet Sychrava

Why the regionals offer value

THERE IS no doubt that shares in the 12 regional electricity companies offer excellent value.

This is not just on account of the benefits of the part-payments, although that does mean investors can get a return of 29p – comprising a dividend and a voucher – on the 100p per share first tranche, leaving out any movement in the share price.

The Regional Electricity Companies (Recs) have also been so structured that they combine defensiveness – since they are in a business for which there is steady demand whatever the economic climate – with the ability to deliver *real* increases in earnings and dividends of at least 4 per cent per annum.

You might think you could scarcely find an investment providing such a good combination. However, the unofficial utilities sector of the stock market created by the 1980s privatisation programme means there are other similarly structured companies vying for investors' attention.

The closest comparisons are with British Gas and the 10 water companies that were floated last year.

These are hard acts to follow: British Gas this week announced a 17 per cent interim dividend increase while the water companies look set to deliver full-year rises of about 15 per cent.

All these companies' shares are valued in terms of income rather than on a p/e basis. For the purposes of comparison, City analysts assume that both the water and electricity issues are fully-paid.

The Recs may be compared with British Gas in that they operate in the energy market and are affected in similar ways by changes in the economic climate and the weather. But there is general agreement that British Gas can get away with a lower yield: it possesses better growth prospects and the advantage of size.

However, there is much more room for debate as to how the Recs should trade in relation to the water companies, and the political events of the last week have a great bearing on this.

As far as their operations are concerned, the main distinctions of the water companies are that they have no competitors. They also have much bigger capital expenditure programmes ahead of them: both a threat and an opportunity, though it is too early to see how they are handling these yet.

Clare Pearson on some hard acts to follow

The fortunes of the Recs, in contrast, are much more closely tied to their local economies. They are affected by competition from British Gas and, in the supply business, from each other; and they may lose business through autogeneration projects. They are also operating in a radically restructured industry environment.

Bearing this in mind, you might conclude that the Recs were less attractive – and indeed that is what many in the market are saying. Although the conventional wisdom has been that the balance tilts the other way – because of regulatory and political risks affecting water – assessments of these risks have changed this week.

The argument runs that electricity prices are not expected to rise in real terms but that water prices are, although the water regulator has indicated that the companies should avoid excessive rises.

Second, the Labour Party has said that it would renationalise water should it be elected, while, as far as the Recs are concerned, it has said it only wishes to take into public ownership their shared investment in the National Grid.

When the Recs' shares were priced over last weekend, it was assumed that their yields should sit midway between water and Gas. At the time, on the basis of forecast dividend payments for the current year, British Gas was yielding 7.4 per cent and the package comprising shares in all the water companies 7.8 per cent.

So the initial annualised prospective yield on the electricity package was set at 8.4 per cent. The idea was that this would fall to 7.6 per cent once, after the start of trading, the 240p fully-paid share price rose by 10 per cent, a premium usually built in to very big flotations to make sure they are a success.

However, once this leaked out in the newspapers there was a sharp rally in the water shares. At the same time, the resignation of Margaret Thatcher as Prime Minister led to a reassessment of the likelihood of a Labour victory at the next general election. Water shares ended the week yielding about 7.3 per cent.

The short-term effect will probably be to enhance the initial premium on the Recs' flotation. But it is perhaps worth holding on to the shares just to see how the relationship works in the longer term.

Weekend FT Competition

Eastern tipped to top trading

SHARES IN Eastern Electricity are expected to be the most popular when trading starts in the privatised companies, according to the readers of the *Weekend Financial Times*.

Readers were asked to predict which company's shares would be trading at the largest premium (or smallest discount) at the end of the first day of dealings. Eastern Electricity came "first", with a score of 23.9 per cent of the entries, followed by Southern with 23.2 per cent.

London was in third place with 8.5 per cent, followed by Seeboard (7 per cent), Yorkshire (6.6 per cent), East Midlands (6 per cent), Manweb (5.4 per cent), South Wales (5 per cent), Midlands (4 per cent), South Western (3.8 per cent), Northern (3.6 per cent) and least popular, with 2.6 per cent, Norweb.

The winner of the competition will obviously not be known until trading starts; applications had to be received by the first post on November 21, the day the price was announced.

However, IG Index was predicting, shortly after the price for the issue was announced, that the shares which would be standing at the largest premium would be those of Northern. The lowest premium was expected for Southern. Ironically, this is an almost exact reversal of reader expectations.

Readers were also asked to estimate how many applicants there would be for the shares in all the electricity companies.

The winner will receive a case of Laurent Perrier pink champagne and the result will be announced in the *Weekend FT* of December 15.

P C

Long-term Investors

Privatisation history suggests PEPs strategy

IF YOU decide to hold on to your electricity shares for a substantial period – and the history of past privatisations suggests that is a good strategy – then the best way of holding your shares may be through a Personal Equity Plan (PEP).

You can place up to £6,000 of shares in a PEP and any subsequent income or capital gains will be completely free of tax. Given that the yield on the electricity shares is high – the average is 8.4 per cent – the income tax relief may make a PEP particularly attractive.

Shares issued in a flotation can be transferred directly into a PEP, provided they are acquired by an individual investor and not in joint names. However, they must be placed in a PEP within 42 days of allocation (ie by January 21) to qualify.

If you are an existing PEP holder, it may not be possible to transfer electricity shares into your PEP – you will need to ask your plan manager if you can.

Among the special deals on offer:

CC&P Trustees has set up single company PEPs for three electricity companies – Midlands, South Western and Yorkshire. There are no initial charges for setting up the plan and the annual management charge is 0.7 per cent. The charges for buying and selling are 0.25 per cent. Details on 071-242-8998.

Granville is offering a PEP for all or any of the electricity shares. There is a front end charge of £50 plus a charge of £10 for each electricity stock registered and an annual management charge of 1.25 per cent. Investors can either apply directly for the shares, or ask Granville to apply on their behalf. Call 071-488-1212.

Killik is offering no initial PEP charge to those who apply for them and are allocated more than 1,500 shares (or 750 each for husband and wife). There will be a £7.50 charge per dividend payment. For allocations of less than 1,500 shares, there will be a flat £40 charge for establishing a PEP; for those who do not apply for their shares through Killik, the fee for establishing a PEP will be £60. Telephone 071-589-1577.

Perpetual is offering a PEP to cover all or any of the electricity shares. There is a transfer fee of £10 for placing the shares in the PEP; after that there is no annual management fee, but there is a £1.50 charge for every dividend payment and further £10 transfer fees if you decide to pay the second and third instalments on the issue.

When you decide to sell, the commission rate is 1¼ per cent, with a minimum of £20. Details from Perpetual's PEP helpline on 0491-576868.

Reyker Securities is offering a PEP for all or any of the electricity shares. The charges are a subscription fee of £10 plus VAT, a transfer fee of £5 for each company's share, an early redemption fee of 1 per cent if the shares are sold before April 6 1991, and an annual management fee of 1 per cent. Details from 071-925-1001.

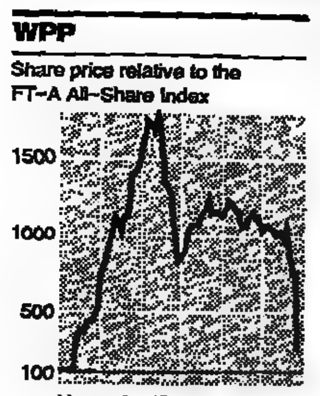
One suggested strategy is to place the maximum £6,000 of electricity shares in a PEP. Assuming that the shares move to an instant profit, you can then sell the electricity shares immediately. The proceeds will be greater than the £6,000 PEP limit but can still be used to buy other shares which can be placed in the PEP and still qualify for income and capital gains tax relief.

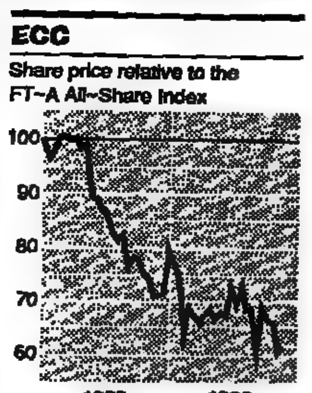
However, it may be best to hang on to the electricity shares. The average privatisation share has reached its nominal peak around 4½ years after issue. Its peak relative to the FT-A All-Share Index has been, on average, just over three years after flotation. And the various incentives on the electricity issues are designed to make investors long term holders.

Philip Coggan

MARKETS

FINANCE & THE FAMILY: THIS WEEK





Profits warning hits WPP

Shares in WPP plunged this week after the advertising group warned that this year's profits would not match expectations because of cuts in marketing budgets. From 379p on Monday morning, the shares fell to 115p in two days, before recovering to 138p. The market had previously hoped that the financial skills of Martin Sorrell, the group's chief executive, would save WPP from the problems of its rivals. But the announcement dashed those hopes and revived worries about the group's high debts. *Philip Coggan*

ECC weathers the storm

Shares in ECC, the former English China Clays, held up well this week despite the announcement of a 42 per cent fall in annual profits and a warning that trading conditions would remain difficult. Markets were encouraged, however, by the fact that the group is effectively maintaining its dividend and by the cost-cutting approach of the new chief executive Andrew Teare, who was formerly at the Rugby Group. He is selling off the group's British housebuilding operations. *P L*

Cheer for building societies

October proved to be the best month so far this year for building societies, with net receipts of £992m, up from £856m in September. Mortgage lending also increased — to £3.68bn, from £3.28bn the previous month. However, Mark Boleat, director-general of the Building Societies Association, said that November would not be such a good month because of the effects of the electricity privatisation. *P L*

Unit trust sales healthier

There were sighs of relief within the unit trust industry as October's sales figures showed a return to a more normal pattern of trading. Gross purchases of units in the month were still on the low side at £653.8m, but this represented a recovery from the low level of purchases in the previous two months. But unit cash-ins by investors fell to just £464.8m — the lowest level this year. There was a net new investment of £189m into unit trusts after two months of heavy net disinvestment. Total funds under management, boosted by a partial recovery in world stockmarkets, rose by £900m on the month to £45.7bn. *Eric Short*

Once-yearly relief

More than 43 per cent of borrowers now have their mortgage payments adjusted annually, according to figures released by the Council of Mortgage Lenders. The collective debt of these borrowers is £78.8bn. This means that changes in base rates can take months to work their way through to consumers' mortgage payments. The recent base rate cut to 14 per cent may simply mean that mortgage lenders are able to hold 1991 payments at 1990's levels. *P L*

How to retire in style

Credit card fraud is on the rise again, with Christmas likely to provide thieves with a seasonal bonanza. Peter Finlayson, of the Association for Payment Clearing Services, said this week that card fraud was up 25 per cent in the first half of this year. Last year, a total of £120m was lost through card fraud, most of it through lost or stolen cards. Barclaycard forecast that 1,500 cards would go missing every day over the Christmas period, and one in ten would be used fraudulently. *David Lascelles*

LONDON

Pinstripes put the boot in

GOOD. VERY good indeed. The markets could not pretend otherwise. Britain's Most Sophisticated Electorate and the Men in Grey Suits may have forced Margaret Thatcher to retire hurt, but it was the men and women in pinstriped suits who kicked her when she was down.

Instead of two minutes' silence after the prime minister announced her resignation on Thursday, the FT-SE 100 Index roared ahead: a spontaneous rise of more than 30 points to celebrate the demise of a woman who had presided over a near-doubling in Footsie's real value in 11 years.

In fact, socialist leadership has done roughly the same for the fortunes of the Paris *bourse* over the same period, but to those who still believed "market sentiment" was a reference to lantern-jawed stockbrokers sobbing into their champagne buckets, the brutal first reactions looked ungrateful.

To be fair, a more considered appraisal of the political situation left Footsie a mere 1.6 points higher at Thursday's close, but this was less to do with the donning of black armbands in the City, and more with concern about the continuing uncertainty generated by a three-cornered contest for the leadership. In any case, Footsie continued in celebratory mood yesterday, ending the week up 102.5 points at 2,170.5 — an increase of more than 140 points since Sir Geoffrey Howe's resignation at the beginning of the month.

The key to this market — now, as it has been for most of the last six months — is the exchange rate and, by extension, the prospect of a further cut in the cost of borrowing.

Last week's 3½ pfennig drop in the value of sterling against the D-mark has been reversed — the pound closed last night in London at DM2.9246 — and investors seem to believe the new Tory leader, whoever he turns out to be, might cut interest rates as a sort of house-warming present to the nation.

Who knows, perhaps he will defuse the Gulf crisis too, with a well-aimed Christmas photo-opportunity: sitting cross-legged in the desert eating (slightly gritty) plum duff with Our Boys?

There have been hints of institutional interest in the market over the last five days, but it has to be said that early in the week, prosaic rather than epic events provided the biggest boost for shares. On Monday, for example, market-makers were spooked by rumours that a legal opinion had cast doubt on the safety of borrowing stock from institutions — an established practice which indirectly helps encourage securities dealing in London. The possibility of further tightening of trading and shortages of stock helped push Footsie from 2,068 to 2,095.9 in the day.

The behaviour of the markets during the political uncertainty of the last few days may presage a further rise in equity prices once investors know for sure who will be piloting the country, towards the next election, but what sort of economy will the new prime minister inherit?

Judging from this week's almost unnoticed statistics, curbs against inflation seem to be having some effect — money supply growth slowed sharply last month — but quarterly output has also fallen in real terms for the first time in five years, and October's current account deficit was wider than expected at £1.1bn.

Political stability may give investors the chance to survey the economic and international scene, but it would be unwise to assume they will like what they see.

The behaviour of the markets during the political uncertainty of the last few days may presage a further rise in equity prices

All things considered, however, it was a surprisingly good week in which to launch a privatisation issue.

The man entrusted with the flotation of the 12 regional electricity companies, energy secretary John Wakeham, may also be remembered as the man who enjoyed the shortest Thatcher appointment of all time — less than 24 hours as the prime minister's campaign manager. On Wednesday, he confirmed a common share price of 240p for the electricity companies, giving an average dividend yield of 8.4 per cent.

Potential investors may have been heartened by Thursday's surprise news of a 17 per cent increase in the interim dividend of another privatised energy company — British Gas. But uncertainties abound, despite the affable Wakeham's optimism. Electricity shares, after all, will be the first and probably the last privatisation stock priced during one premiership and traded for the first time during another. Investors who intend to let their names go forward as potential electricity shareholders have until December 5 to do so.

Outside the political arena, there seemed to be a break in the recent shoal of executive resignations — perhaps in deference to the biggest boardroom battle of them all.

As expected, Davy Corporation, the independent engineering contractor which lost its chief executive last week, passed on its dividend and announced a 24 per cent fall in interim profits. That was before a £45m provision relating mainly to an abortive drilling rig contract; not surprisingly, Davy announced it wanted to reduce its dependence on fixed-price, high-technology contracts.

The market is a savage place when shareholders feel betrayed. On Monday, WPP, the marketing services group, succumbed to the burden of trading difficulties which have weighed down the advertising sector and issued a profit warning.

WPP's shares, which at one stage seemed to have survived the fall-out in their sector, quickly joined those of other fallen stars like Saatchi & Saatchi, slipping nearly 100p on Monday on renewed doubts about WPP's financial stability, and ending the week a crippling 240½p lower at 138p.

Trigger-happy investors also wounded the shares of Brent Walker, the leisure group which is seeking new finance through a £103m convertible bond issue, on Thursday. The price fell 14p to 97p after the group announced that the family trust company of George Walker, the chairman and chief executive, had sought an extension for its £17.3m subscription to the issue.

Drink is providing solace to some investors. Guinness took a long draft from the Spanish brewing market on Wednesday with an agreed £533m cash bid for Cruz del Campo — the biggest overseas investment yet made in Spain. The Seville-based company is apparently Spain's most profitable brewer pumping out 6m hectolitres of beer a year, equivalent to more than 40 per cent of Guinness's existing annual production.

Whitbread, meanwhile, is pinning some of its hopes on the hard-pressed British family and its predilection for pepper steak and scampi. The brewer announced on Tuesday that it was buying most of the Berni Inns chain of family restaurants and pubs from Grand Metropolitan for £115m, intending to integrate them with its existing brands, such as Beefeater.

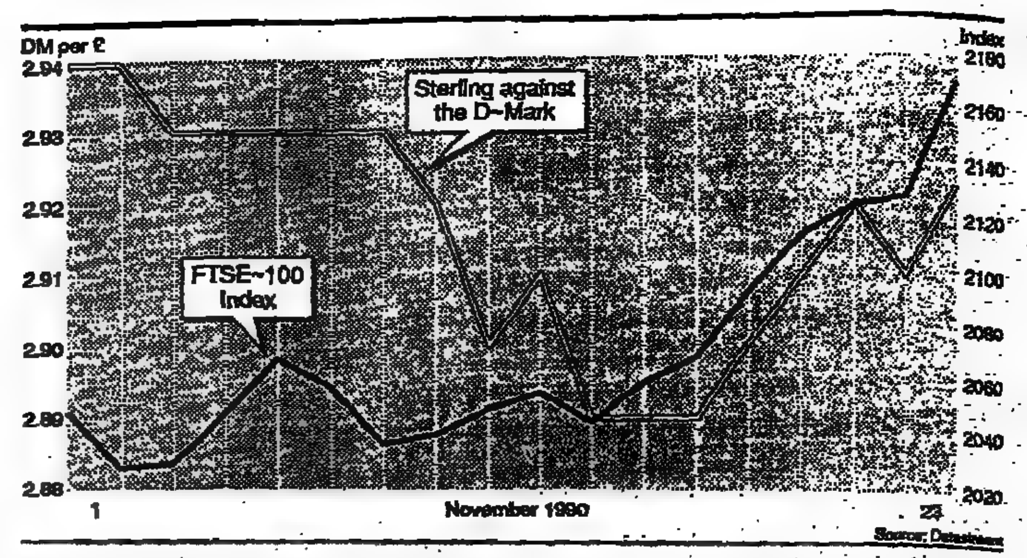
A day later, however, Whitbread revealed that the credit squeeze was hitting its family restaurants harder than any other part of its business. The group's interim profits were up 16 per cent at £149m before tax — partly on the back of strong growth in beer sales — but Whitbread warned it might face a difficult second half.

If the chancellor decides to drop interest rates a little further, Whitbread, among others, may be prepared to stand him a few hectolitres of recession-resistant lager on the house.

Finally, if anybody required another signpost to the end of an era, on Monday Prudential Corporation announced the conclusion of its ill-fated £230m excursion into the estate agency business, built up during the housing boom of the golden Thatcher years.

The Pru wants to sell its entire network of 500 estate agencies, having already closed 275 in the last 18 months. But as home-owners struggling to sell their houses know to their cost, putting up the For Sale signs is a long way from exchanging contracts.

Andrew Hill



HIGHLIGHTS OF THE WEEK

	Price y'day	Change on week	1990 High	1990 Low	
FT-SE 100 Index	2170.5	+102	2463.7	1990.2	Revived interest rate optimism
Amersham Intl	311xd	+30½	401	246	Benefits of Eastman Kodak deal
BAA	406	+32	472½	355	Brokers' buy recommendations
BOC	496xd	+48	611	438	Moved with the market
British Gas	241½	+25	245	185½	Yield considerations
Davy Corp	96	+27	284	59	Grim annual results discounted
Foster (John)	30	-10	128	29	Mid-term interim div passed
GKN	332	+34	464	285	Moved with the market
General Accident	502	+57	624½	418	Higher insurance premiums
Goodhead Group	66	+21	163	43	Share stake changes hands
Redland	579	+83	641	451	Hopes of lower interest rates
Speyhawk	100	+15	358	74	Speculative demand
WPP Group	138xd	-240½	715	93	Profits warning issued
Water Package Uts	£2563	+278	£2563	£2068	Strong dividend expectations
Wiggins Teape	174	+16	219	152	Revived bid speculation

WALL STREET

Little cause for thanks

GEORGE BUSH ate two Thanksgiving turkey dinners during his rally-the-forces visit to the Gulf on Thursday while Margaret Thatcher, as everyone knows, ate crow.

Meanwhile Wall Street, like the rest of America, must have longed for the fatted goose of yesteryear. But the Roaring 80s are over, Michael Milken is going to prison and the market is occupied with the prospects of war and recession. The sentencing of Milken, the former junk bond king of Drexel Burnham Lambert, brought out the crowds.

Milken, sporting his customary toupee, wept in court and there was talk of how the 10-year jail term was a commentary on the "decade of greed". In a Thanksgiving week that virtually ended at Wednesday lunchtime, the Milken saga was more interesting than most share movements. The exceptions included media and entertainment groups CBS and MCA.

CBS opened the week with a forecast of fourth quarter losses and a warning that earnings will fall in 1991. The network — hit by the deteriorating advertising climate and by its gamble to grab ratings by paying high prices to broadcast sports events — followed its gloomy forecast with an announcement that it plans to cut payments to its 214 affiliated stations by 20 per cent.

On Monday, after the poor trading forecast, the market sent CBS's share price $2 lower to $161⅞. On Tuesday the CBS share price plopped down to $156⅛ and at lunchtime yesterday it was lurking around $155½. Shareholders will be curious to see what further cuts Larry Tisch, the CBS president, has in mind for the network, which he claimed was committing itself to "new internal operating procedures that enhance productivity".

The news was more encouraging for holders of stock in MCA, the Hollywood entertainment conglomerate that moved closer to agreement on a $6bn takeover by Matsushita of Japan. MCA is not a particularly well managed company, but it does have a substantial array of assets such as Universal Pictures (the people who brought you Jaws), lucrative record labels including Geffen Records, the Putnam publishing subsidiary, theme parks in and large property holdings.

The Matsushita takeover talks were first revealed in late September, when Lew Wasserman, the 77-year-old MCA chairman, was dreaming of a bid offer of $85 to $90. Yet even the intervention of Felix Rohatyn, the wonder banker from Lazard Frères, has not turned Wasserman's dreams into reality.

The men from Matsushita know that Japan-bashing politicians in Washington will kick up a fuss at any MCA takeover and besides, they don't see why they should pay through the nose. The word from negotiators in New York this week was that the talks nearly fell through on Tuesday, but by Thanksgiving Day MCA and Matsushita were said to be just $5 apart on price (between $70 and $75-a-share) and a deal could be imminent. The market remains uncertain, however, and yesterday — after Matsushita tried to downplay the notion of a quick deal — MCA shares fell $3⅞ to $65⅝.

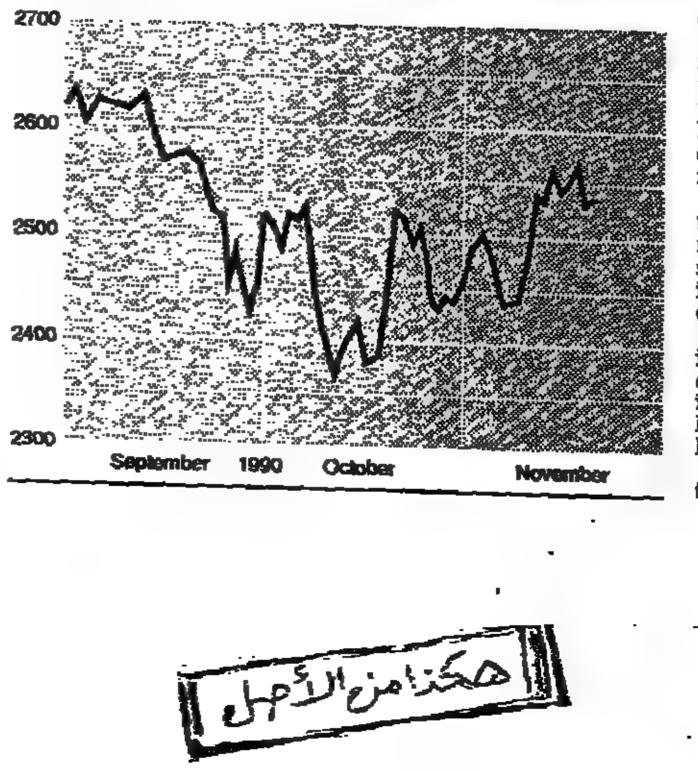
Thanksgiving week brought one rather odd little mystery for the Atlanta-based Georgia-Pacific, the world's biggest paper maker. An obscure consultancy run by a former employee issued a press release claiming it would launch an employee buy-out of the company. Georgia-Pacific reacted to the announcement — which gave no financial details or names of participants in the alleged scheme — by asking the Securities and Exchange Commission to investigate possible stock manipulation. Wall Street reacted with a shrug as trading was halted at $34½ on Tuesday; trading resumed just ahead of the weekend and by yesterday morning a quiet market had marked the shares $⅝ up to $34⅝.

Wall Street is otherwise trying to stage a technical rally on the thesis that parts of the market have been oversold, the impending recession has been discounted and any likely war against Iraq will not come for at least a couple of months. The consensus is that a new floor of around 2,550 has been established for the Dow Jones average. Any rise above the 2,600 level would thus be termed a solid rally.

Monday	2565.35	+ 15.1
Tuesday	2530.2	− 35.15
Wednesday	2539.36	+ 9.16
Thursday	closed	

Alan Friedman

Dow Jones Industrial Averages



The City has no darlings among the candidates of the Tory leadership contest, reports **Philip Coggan**

Nonplussed over the battle for Number 10

THOSE private investors who have been loyal supporters of Prime Minister Margaret Thatcher may have been rather shocked this week by the way the stock and currency markets reacted so favourably to her resignation.

The plain fact is that the investment community has little time for sentiment. As far as the City is concerned, Thatcher's departure means the Conservatives have a better chance of winning the next election. That is a positive sign for equities and for the pound.

But do the markets have a favourite among the three candidates for the succession? Some do not feel it matters much who wins.

"I don't see that the markets will care whether it is Heseltine, Hurd or Major," says Nick Train, investment director of GT Unit Managers. "Given that we are now in the Exchange Rate Mechanism, the short-term leverage that any politician has on the economy is very slight indeed."

Alan Kemp, investment director of Dunedin fund managers, thinks along the same lines: "There is unlikely to be a change in economic policy whichever candidate is successful."

Bill Smith, equity strategist at Barclays de Zoete Wedd, puts it even more baldly: "None of the candidates will have a big effect on the economy which is currently headed for recession."

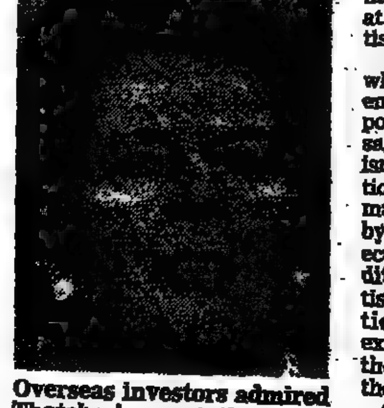
The markets have been unable to perceive, as yet, much difference in the policy stances of the candidates, but, if anything, the City's preference may be for John Major.

"He is more widely known to international investors and he does have a reputation for having a safe ministerial pair of hands," says Mike Howell, analyst at Salomon Brothers.

Major is also perceived to be the soundest on finance, but only because he is the only candidate who has spent some time at the Treasury.

However, the markets will not be too concerned if Major fails to win. It is quite likely that he will remain as chancellor under either Hurd or Heseltine.

As Valentine Furniss, director of private banking (investment division) at Swiss Bank Corporation, puts it: "The stock market, like a marginal MP, would like the next PM to be the one who will stand the best chance of winning the next election."


Overseas investors admired Thatcher's reputation

This last factor may encourage many in the City to plump for Heseltine, who has the highest rating in the opinion polls. Hurd is the City's third choice because he is perceived neither to have a sound financial background nor the charisma necessary to rescue the party's standing with the voters.

History offers little guidance on whether the turmoil surrounding the leadership contest will depress share prices. Smith has studied the effect of the three changes of Tory premier that occurred during the 1951-64 administration. "Equities tended to be higher after six months, but lower after twelve," he says.

Some investors feel that, this time, gloom may quickly set in after the market's initial optimism.

Nils Taube says: "I fear that whoever gets elected will have a substantial minority of the party against him — and dissension is bad for markets. However, the mood will probably change ten times in the next ten days."

BZW's Smith says: "I don't think the political risk of a Labour Government is in the market, especially if you look at the strength of the privatised stocks."

Nick Train has worries which may strike a chord with enthusiastic Conservative supporters. "In the long term," he says, "the demise of Thatcherism may have serious implications. I believe that the bull market of the 1980s was fuelled by Thatcher's reforms of the economy. A return to more traditional corporatist Conservatism — along with higher taxation and higher public expenditure, could undermine the wealth creating drive of the economy."

Certainly, Thatcher's reputation abroad is such that one might expect some overseas investors to look askance at British equities now the Iron Lady is gone.

So far, the impact has been minimal, but that could partly be because Thatcher resigned on Thanksgiving Day, a public holiday in the US, and yesterday was a holiday in Japan.

In any case, BZW's Bill Smith points out: "Cross-border business in equities has been reduced ever since the Gulf crisis began."

The London market could yet find that without the high profile of Thatcher, UK equities and bonds will lose some of the attractions that they had during the years of the "British miracle".

FINANCE & THE FAMILY

How should financial advisers be paid? **Philip Coggan** examines . . .

The case for fees versus commissions

YOU PAY A fee to your accountant; you pay a fee to your adviser; so why not pay a fee to your financial adviser?

The argument that financial advisers should be paid through fees rather than commissions is not new. But most clients simply have not had a choice until now, and many may not realise they are paying a commission at all.

Enthusiasts argue that there are two main advantages of a fee-based system. In the first place, an adviser who is paid on a fee basis will be truly independent. He or she will not be tempted to recommend to the client the product that pays the largest commission; indeed he may well recommend a product that pays no commission at all.

The second advantage is that, on products where commissions are paid, the adviser can rebate the commission to the client. For tax reasons this might best be done by improving the policy's benefits; but that still means more of the client's money is being invested on his or her behalf.

However, many financial advisers believe that a move to fess would be impractical. In the first place, it will be difficult to persuade clients to part with the kind of fee that would be equivalent to the commissions paid. The commission on a modestly-sized endowment policy may well be several hundreds of pounds; on policies worth over £100,000, the commission can easily run into thousands, although the adviser is unlikely to be involved in any more work.

Many clients would refuse to sign a cheque for that amount. They would turn instead to the tied agents of insurance companies, whose costs are much less easy to identify, hidden as they are in the pricing structure of the savings products. The result would be the disappearance of truly independent advice for the client.

Nevertheless, it is hard to believe that if anyone was devising a fair and open way of selling financial products to clients, they would come up with the current system. Commissions have only to be revealed to clients after the policy has been sold, and then as a percentage of premiums paid, rather than as an actual cash sum. It is a system ripe for abuse.

James Higgins, who has worked as an adviser at several commission-based companies, believes that it *is* possible to operate a successful fee-based group. He has established Chamberlain de Broe, a fee-based advisory firm, in a basement in London's Manchester Square. He argues that the commission structure means that most advisers receive by far the largest proportion of their income from clients in the first year.

"The people on their books are not really clients. They are past sales," he says. "After the first year, any income the adviser will receive is marginal." Thus much of the adviser's time is spent in the chase for new prospects who will generate that additional income.

By charging fees, either via some kind of annual retainer or on a hourly rate based on work done, Higgins hopes that profitable relationships can be built with clients that last for a number of years. There may be immediate savings for clients.

Higgins quotes the example of a 45-year-old man requiring

a 22-year endowment policy for a property purchase. The monthly premium on a £50,000 Standard Life policy would be £90 and the commission paid to a broker would be £720.

Reinvesting the commission would reduce the monthly premium to £86 – a saving of £1,056 over the term – compared with the fee for carrying out this policy of £150 plus VAT.

Alternatively, Chamberlain de Broe could simply use the commission to pay the first eight monthly premiums on the client's behalf, although this would result in a tax liability.

But Higgins says that he is not aiming to sell his service on the basis of cost savings. "I believe that we can offer better value to the client because we're sitting on the same side of the table as he is," he says.

Nick Mercer, joint managing director of the Bristol-based Hill Martin agrees. "Fees enable you to be rewarded for your objectivity," he says.

Despite the arguments raised by Higgins and Mercer, many advisers feel that while better-off clients will accept a fee-based service, Mr Average is just not ready to pay for financial advice. "Fees is the way the middle to upper end of the market will go," says Mercer.

But the argument of the commission camp is that financial services have to be sold, just like anything else. You do not ask the Ford dealer what commission he receives for selling you an Escort; it is all part of the price. The same should apply to life insurance, where in any case, superior investment performance might easily outweigh the costs of commissions in the long run.

Success in the battle may depend on whether fee-based advisory groups can actually be shown to make a profit. Two hurdles may have to be overcome. The first is deciding on the right charging structure. MacIntyre Financial Services, the advisory arm of accountancy firm MacIntyre Hudson, is studying how many hours can actually be classed as "chargeable time" by its advisers. So far the indications are that under two-thirds of the time can be charged for; leaving a third of the week as "unprofitable" time.

The second hurdle is probably even harder to surmount. Most insurance companies are simply not geared up to dealing with fee-based advisers. A few, such as Professional Life, a subsidiary of Skandia Life, have been established specifically to sell non-commission paying products. But they have been attacked for this for undermining the role of the financial adviser. The battle to switch to a fee-based service may be long and hard.

Eric Short compares two schemes open to people who change jobs

An attractive choice which faces pension investors

MOST PEOPLE who change jobs decide to take a transfer value from their previous employer's company pension scheme and invest it in their own pension contract from a life company.

The attraction is that employees have choice and control over the investments in the pension scheme. And since the benefits of investment performance accrue to employees automatically, then they should receive a higher pension on retirement than they would have done had they left their benefits in their previous employer's scheme.

Essentially, employees have two types of contract to choose from: a Section 32 buy-out and a protected rights personal pension. There has been considerable debate about which is the better deal.

Although for the majority of employees a protected rights contract usually offers a higher return, it is still a case of "horses for courses". Employees need to understand how each contract operates and the differences between the two before making their choice.

The deferred pension consists of two elements – the Guaranteed Minimum Pension (GMP) which represents the equivalent State Earnings-Related Pension, and the non-GMP element.

Under a buy-out contract, the life company must guarantee payment of the GMP, just as if the benefits had been left in the company pension scheme. So part of the transfer value is earmarked to provide this GMP guarantee.

But in order to cover this guarantee, life companies will assume a low rate of return on the investment, which means that the pension will cost more. In the jargon, the life companies will offer the policy on a non-profits basis, this means that such policies are not available from companies which only transact unit-linked business.

There is complete investment freedom for the non-GMP element of the transfer value. Life companies will offer a complete range of unitised funds including a unitised with-profit fund, with some companies even offering employees the chance to manage their own investments.

However, if the GMP element represents a sizable portion of the transfer value, the overall return will be diluted. Essentially, employees sacrifice some potential return in order to receive the guarantee.

For lower paid employees changing jobs the GMP element takes most, if not all, of the transfer value and for them a buy-out represents a poor return compared with leaving the deferred pension in the old scheme.

In contrast, with a protected rights personal pension, there is complete investment freedom on the whole amount of the transfer value.

An element of the transfer value – known as the protected rights portion – has to be taken as a pension when you retire. But this element can be invested in the same way as the rest of the transfer value and thus the investment return should not be affected.

This factor means that in the long term, a protected rights pension should show a better investment performance than a buy-out plan. And many intermediaries, particularly those tied to a unit-linked life company not offering buy-out contracts, go no further in their advice to clients.

But there are benefit considerations to be taken into account. In particular, the buy-out offers the possibility of higher tax-free cash payments at retirement and on the early death of the employee before retirement.

The advantages of each type of contract are summarised in the accompanying story.

How do employees decide on which contract is better for them? Not with an official Lautro illustration!

One of the more inane set of rules produced by Lautro (the Life Assurance and Unit Trust Regulatory Organisation) deals with benefits on pension contracts. Its illustration for a buy-out was designed to show the benefits in money terms at the time of retirement, while the illustration for protected rights shows the value of the benefits expressed in present day values.

The buy-out illustration is accompanied by an inflation statement effectively warning investors that future pounds can be expected to be worth less than current pounds. But otherwise it gives no indication of current values and, as such, is useless as a basis for comparison.

Employees can only make their choice by understanding the benefit structure and the investment risk they are prepared to accept. Expert impartial professional advice is essential, but employees should ensure they are given all the facts and should not be afraid to question closely the reasons for any recommendations. Generally, the older the employee and the larger the transfer value, the more attractive buy-outs become.

Finally, where an employee changing jobs has worked for two years but less than five, the pension scheme trustees have the right, within a year of the employee leaving service, to arrange a buy-out, without the employee's consent. If this does happen – and 30 days notice must be given – employees should take the transfer value and make their own arrangements. They should be able to obtain a better deal arranging their own buy-out.

■ *This article is part of a series on pension benefits.*

THE TWO OPTIONS

Section 32 Buy-Out

GMP ELEMENT

■ Guaranteed Pension paid from the Normal Retirement Date under the old company pension scheme. The pension can be paid earlier if the total pension on the whole contract at least equals the GMP.
■ Spouse's benefit available should the employee die before retirement.
■ Investment is restricted.

NON-GMP ELEMENT

■ Tax-free cash sum available on retirement, depending on number of years service and salary at transfer, possibly taking into account rises in the RPI.
■ Remaining value used to buy a pension at the annuity rates at the time of retirement. There is complete freedom of choice of annuity.
■ On early death, the fund value is paid in cash – tax free if written under trust.
■ Complete investment freedom.
■ Total benefits on a buy-out contract are subject to Inland Revenue limits.

Protected Rights Personal Pension

PROTECTED RIGHTS

■ The accumulated fund has to be taken as pension at State pension age – 65 for men, 60 for women – on a unisex, unistatus basis increasing at 3 per cent a year at rates in force at the time of retirement.
■ On early death the accumulated fund must be used to buy a pension.
■ Complete investment freedom.

EXCESS

■ The benefits can be cashed in, wholly or partially at any time between the 50th and 75th birthday. Part can be taken as tax-free cash. Remainder has to be taken in pension form, with complete freedom as to the type of annuity.
■ On early death, if the employee is married up to 25 per cent of the total value of the contract (including the protected rights) can be taken in tax-free cash, provided the sum is no larger than the non-protected rights portion. The remainder is used to buy a pension for the spouse, with freedom as to the type of annuity.
■ If the employee is not married, the value can be taken entirely in cash. It should be written in trust for a named beneficiary(ies) to avoid Inheritance Tax. Thus there is different treatment on early death between couples who are married and who are cohabiting.
■ Complete investment freedom.

PEP lifts tax-free limit

AN INVESTMENT trust is being launched by Raphael Zorn, the stockbrokers, which is designed to appeal to individual investors interested in starting Personal Equity Plans.

Trio Investment Trust is joining the stock market via an offer for subscription which aims to raise £4m.

The trust will invest predominantly in leading companies and will aim to track closely the FT-SE 100 Index.

Trusts normally trade at a discount to net assets after issue but in an attempt to reduce this discount, the trust has a limited five-year lifetime, as well as warrants attached.

Up to 8m shares are being offered at 50p each.

Raphael Zorn says that investors can apply for £6,000 of shares and then renounce that amount into a PEP yet still qualify for tax relief – in spite of the normal PEP limit of £3,000 on investment trust shares.

Applications for a minimum of 4,000 shares must be received by December 5 and dealings are expected to start on December 12.

The Raphael Zorn prospectus states that the company may consider an enlargement of its capital base in the near future.

If a rights issue were undertaken, it would be possible for investors to absorb the rights shares within the original PEP.

This would have the effect of allowing investors to have a substantially larger tax-free holding than with the normal PEP limit.

Philip Coggan

A loan is far from child's play

MY WIFE is considering lending my young daughter some money to subsidise the purchase of shares in the Electricity Privatisation. We hope that some of the shares will be sold at a profit to repay the loan. The rest will be kept. Will the dividends on these be viewed by the Inland Revenue as my wife's and therefore taxable, or as my daughter's and tax-free? Similarly what about Capital Gains Tax?

■ It is doubtful whether the loan can lawfully be repaid to your wife until your daughter reaches 18. This is a point upon which you (as your daughter's guardian) may wish to consult a local solicitor.

Be that as it may, the income will be deemed to be your wife's under section 674A(3) of the Income and Corporation Taxes Act 1988. The capital gains will be deemed to be your wife's under section 109 of, and paragraph 2(1)(a) of schedule 10 to, the Finance Act 1988.

You should find the relevant tax legislation in a local reference library, books to look for include the British Tax Encyclopedia and Simon's Taxes.

A taxing problem

I AM AN expatriate working in Hong Kong on a long-term contract and my wife is also living in Hong Kong but without employment of any kind.

I understand that under Inland Revenue rules and practice a wife who is not in full time employment overseas remains technically resident for income tax purposes especially if there is accommodation available for her use in the United Kingdom. We have a property in the Londons Docklands which has remained empty since purchase, although we may rent the property from time to time in the future. On her visits to England each year my wife may or may not stay in our property as she sees fit.

My question is whether you consider that under the current rules my wife is eligible to take out a Personal Equity Plan. As far as I can establish the rules require applicants to be over the age of 18 and resident for income tax purposes. She certainly fulfils the first requirement and according to my interpretation of the Revenue's own publication (IR20) she also qualifies on the second count, too - paragraphs 12, 14 and 28 apply.

The Inland Revenue Central Unit (PEP department) at Bootle seem to wish to apply a different interpretation and I would be quite grateful for an independent informed opinion prior to going into battle to establish what I believe is a fundamental right.

■ If your wife visits the UK in each tax year and the dockland property is available for her use during at least part of one visit in each tax year, then she will indeed continue to be resident and ordinarily resident in the UK. That being so, your wife is "qualifying individual" for PEP purposes.

A ruling on your wife's residential status can be obtained from the Inland Revenue Foreign Claims Branch, which is in the same building as the PEP Central Unit. It is, of course, your wife who should write to Claims Branch, not you.

The following free Inland Revenue pamphlets may interest you: IR27 – Notes on the taxation of real property, IR89 – Personal equity plans and IR90 – Independent taxation: a guide to tax allowance and reliefs.

Second thoughts

COULD YOU please clarify the capital gains tax position on second homes?

My wife and I own a second home as beneficial joint tenants. When we come to sell the property, will we each be able to claim our full individual capital gains tax allowance against any profits? If we can not, what should our joint ownership be? If we change the ownership to, for example, "tenants in common" to get the full allowance for each of us, are there any disadvantages.

■ It does not make any significant difference for capital gains tax purposes whether a house is held by a married couple as joint tenants or as tenants-in-common. Severing a joint tenancy would enable each of you to dispose of your respective half share by will, of course.

We take it that (under the guidance of the solicitor who acted for you in the purchase of your second home) you and your wife duly gave notice under section 101(6)(a) of the Capital Gains Tax Act 1979 – before the second anniversary of the purchase of the house – that your first home should be treated as your main residence for CGT purposes.

Doubtless you have read the free Inland Revenue pamphlet for owner-occupiers, CGT4.

That being so, you will know that it could be advantageous to give notice of variation under section 101(6)(a), nominating your second home as your main residence for CGT purposes for a short time, and then to give a further notice of variation in favour of your first home again. If you are uncertain about the timing and retrospection of these notices, the solicitor who will be acting for you in the proposed sale will be able to guide you, of course. So much depends upon the precise facts, figures and dates that we cannot give you as helpful a reply as we should wish.

You may like to ask your tax office for the free pamphlet CGT15 – Capital gains tax: a guide for married couples. If it is some years since you read pamphlet CGT4 – Capital gains tax: owner-occupied houses – you may like to ask for the latest edition at the same time.

Q&A BRIEFCASE

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

A darkened bedroom

In 1984 I moved into my present home, a bungalow which was built in 1968. The previous owner, a builder had originally intended to erect two houses on the site and therefore the location of the bungalow is far from central with respect to the plot.

In particular the back of the bungalow is very close to an adjoining boundary (a three foot stone wall) with a neighbouring garden. Along this side three bedroom windows and a kitchen window face out toward the neighbouring garden but not the neighbouring house which is some distance away and not in line of sight. The nearest window is some distance away from the adjoining garden.

The house belonging to the garden changed hands last year and the new owners have planted a hedge along the line of the wall in order to cut off their garden. I am concerned that in a few years the hedge will have grown to a height where it will seriously reduce the amount of light received by the rooms at the rear of the bungalow. There is already an extremely large tree in the neighbouring garden about ten foot away from my kitchen window and in summer this considerably restricts the amount of light.

Since the hedge is some distance from the new neighbours house I do not believe that they will be unduly concerned about cutting the hedge. Would you advise me whether in the event of their failing to cut the hedge, I would be entitled to cut it myself and maintain it at a height giving me an acceptable level of light. Are there any guidelines as to what a reasonable height might be?

■ If the hedge planted by your neighbours is entirely on their side of the boundary there is nothing you can do to restrict the height to which it may grow until such time as it cuts off so much of the daylight coming in at your bedroom and kitchen windows as to make those rooms not usable for ordinary reasonable purposes of a bedroom or a kitchen.

You could write to your neighbour pointing out that your windows are more than 20 years old and that you have a right to light to them, suggesting that you come to an agreement about what height limit should be placed on he hedge, and record in writing any agreement you can achieve.

Family business

MY WIFE and I would both like to reduce out eventual liability to capital gains tax by disposing of shares in 1990/91 of sufficient market value to take advantage of the £5,000 tax free capital gains which we understand we are each allowed during the year.

However, the cost of selling and re-investing on the Stock Exchange in small amounts is disproportionately heavy, so could we not instead achieve our objective by each transferring to the other an appropriate amount of our respective share holdings.

■ No, because a transfer between spouses living together (whether by way of gift or by sale at full market price) is deemed to be made at a price which produces neither a chargeable gain nor an allowable loss for CGT purposes. Ask your tax office for the free pamphlet on capital gains for married couples: CGT15.

FINANCE & THE FAMILY

IN BRIEF

KNIGHT WILLIAMS has launched a range of investment bonds designed for those entering, or already in, retirement. The six bonds are graded in descending order of risk – from High Risk through International, Principal, British, Cautious and Cautious British – and are invested in a spread of unit trusts.

The initial spread is 5 per cent but there is free switching thereafter. The idea is that investors should aim in the pre-retirement stage for capital growth and gradually adopt a more cautious and income-based investment stance as they grow older. The annual management fee is 1.5 per cent.

■ ■ ■

Woolwich Life, the new joint venture between Woolwich Building Society and Sun Alliance, has launched a guaranteed income account. The rate on offer, for a three-year term, is 9.5 per cent for investments between £2,000 and £9,999 and 9.65 per cent for larger sums.

P C

Heather Farmbrough looks at MIM Britannia

Cure for a sick man

IN EARLY 1987 "we were the sick man of the industry," Nicholas Johnson, managing director of MIM Britannia unit trusts admits. At that time, MIM's hitherto sparkling performance was hit by the merger with the troubled Britannia Arrow financial services group.

Much has been done since but 1990 has not been the company's best year either. The international and Far Eastern funds, the latter traditionally among MIM's brightest stars, have been badly hit by falls in Oriental markets. Latest figures, however, suggest that MIM Britannia, the UK's largest independent investment group, is recovering from the difficult period following the merger.

Although it was Britannia Arrow which bought MIM, it was intended that the latter would have the upper hand in managerial terms. MIM – originally Montagu Investment Management and part of the Midland Bank group – was sold to Aetna Life and Casualty of the US in 1985, before being sold on to Britannia.

Since its inception as the Slater Walker unit trust business, in 1974, Britannia has had a colourful history. Excellent performance in the late 1970s and early 1980s was followed by a disastrous patch which Johnson blames on poor management strategy and the decision "to go for growth" (ie funds to manage).

The latter decision meant that Britannia tended to attract business from financial intermediaries who were keen to churn its units. High turnover made good fund management almost impossible.

Johnson is quite frank about the overall performance of the combined group's UK funds, which, as he says, "have been quite disappointing until the last month." There are some exceptions, however – the smaller companies trust has not done too badly compared with other small company trusts, while the Rupert Childrens Trust and UK Growth have performed well.

Earlier this year, in an attempt to improve UK performance, an "anchor unit" was created consisting of three senior fund managers. Its role is to act as an overseer, ensuring that the managers carry out a consistent strategy, filtering ideas and checking investment policies.

Performance in North America has also been disappointing, with the small companies trust currently at the bottom of the US sector. However, Johnson is happy with the management of the fund and confident that the small company stocks are due for a turnround soon.

In the larger North American fund, it is MIM's particular investment strategy which has left it painfully exposed to the downturn in the US stock market. MIM uses its own systems called ATLANTA and INVESCO to identify stocks which look undervalued at current price in comparison with long term returns. Providing there is no reason why they cannot generate similar long term returns again, they are considered as investment candidates. But it is these kinds of stocks which have been hammered recently, in the US as well as the UK.

In the Far East, however, MIM's performance has been excellent, in spite of the problems this year. Funds are consistently in the top quartile and the South East Asian fund is top of its sector on a two-year view. But the relatively high exposure to the Far East of the International funds has hit performance. The Growth fund, for instance, had 30 per cent of its assets in the Far East earlier this year, but the proportion has since shrunk to 15 per cent.

While the European fund's performance has not been particularly good, its smaller company version has done well. Johnson believes this is because the manager of the latter has spent a great deal of time looking at individual companies rather than trying to keep within set patterns of asset allocation – eg 10 per cent in Germany, 10 in France and so on. The establishment of a joint venture in June with IMI, the largest Italian mutual fund companies, and the recruitment of Tristran Hilgarth from Framlington, is expected to boost European performance.

Elsewhere, Johnson admits that the Income fund's performance is only moderate but explains this is because the fund includes several "second liners" which have tended to be the stocks worst hit over recent months.

MIM has eight investment trusts which have ranked among the best in the industry over the longer term. These are run separately from the unit trusts. Observers say that the MIM Britannia merger has been among the more outwardly successful in the industry as the importance of good management in producing good returns has been appreciated.

There is still plenty of work to be done but Nicholas Johnson and his colleagues appear to be tackling the problems forcefully and realistically. In addition to good historic performance in the Far East, a respectable proportion of trusts are ranked in the top two quartiles. There is every likelihood that there will be more in the top quartile in future.

DIRECTORS' TRANSACTIONS

THE SELLING by directors of major companies in the early summer has been followed by fairly sharp share price falls.

Six Warburg directors raised £875,000 in total at prices between 416p and 510p. The price is now below 300p. Three directors of Davy Corporation sold at around 230p. The shares are now at a third of that level.

In the food retailing sector in particular director sales far outweighed buys; Argyll, Iceland Frozen Foods and Sainsbury were all subject to large sales.

These stocks are currently holding up comparatively well. Asda was an exception. It fell sharply at the end of 1989 but four directors were buying earlier this year at around 1[illegible], and the price is now b[illegible] up to 130p.

In the last week, the level of transactions has slowed although director buying remains dominant.

Unichem, the pharmaceutical retailer, came to the market at 125p on the November 15 with the directors using the opportunity to take a holding. There has been considerable buying in Securiguard at 53p, and the price has subsequently rebounded to 70p. Meanwhile, the Fairfax family of Australia has continued to build up a friendly holding in Whitegate Leisure.

Angus MacDonald,
Directus Ltd

DIRECTORS' SHARE TRANSACTIONS IN THEIR OWN COMPANIES (LISTED & USM)

Company	Shares	Value	No of directors
SALES			
Hampson Industries	46,054	16	1*
Macfarlane Group	160,000	228	1
Mercury Asset Man	60,000	210	1
Microfilm Repro	305,000	744	2
Queens Moat House	355,496	330	1*
SmithKline Beecham	6,276	36	1
Wolseley	26,000	74	1
PURCHASES			
Argos	4,000	10	1
Celestion Industr	125,000	31	1
Clearmark	230,000	10	1
Colorgen	500,000	18	2
Electrocomponents	16,241	30	2
GEC	10,000	18	1
Hawtin	175,000	26	1
Inoco	550,000	36	1
Nu-Swift	50,000	235	1
Securiguard	119,237	64	2
Shoprite	10,000	11	1
Singer & Friedl'ndr	49,467	19	1
Unichem	77,000	96	6
Whitegate Leisure	550,000	61	1

Value expressed in £000s. Companies must notify the Stock Exchange within 5 working days of a share transaction by a director. This list contains all transactions, including the exercise of options (*) if 100% subsequently sold, with a value over £10,000. Information released by the Stock Exchange 12-16 November 1990.

Source: Directus Ltd, Edinburgh

INTEREST RATES: WHAT YOU SHOULD GET FOR YOUR MONEY

	Quoted rate %	Compounded return for taxpayers at 25%	40%	Frequency of payment	Tax (see notes)	Amount invested £	Withdrawal (days)
CLEARING BANK*							
High interest cheque	4.00	4.10	3.30	monthly	1	under 5,000	0-7
High interest cheque	8.10	8.40	6.70	monthly	1	5,000-9,999	0
High interest cheque	8.30	8.60	6.90	monthly	1	10,000-24,999	0
High interest cheque	8.50	8.80	7.00	monthly	1	25,000-49,999	0
High interest cheque	9.10	9.50	7.60	monthly	1	50,000	0
BUILDING SOCIETY†							
Paid up share	6.00	6.09	4.87	half-yearly	1	1-250,000	0
Instant Xtra	8.85	8.95	7.16	yearly	1	500-1,999	0
Instant Xtra	9.20	9.20	7.36	yearly	1	2,000-4,999	0
Instant Xtra	9.45	9.45	7.56	yearly	1	5,000-9,999	0
Instant Xtra	9.70	9.70	7.76	yearly	1	10,000+	0
90-day	9.45	9.67	7.73	half yearly	1	500-9,999	90
90-day	10.20	10.46	8.37	half yearly	1	10,000-24,999	90
90-day	10.70	10.99	8.79	half yearly	1	25,000-49,999	90
90-day	11.20	11.51	7.21	half yearly	1	50,000+	90
NATIONAL SAVINGS							
Investment account	12.75	9.56	7.65	yearly	2	5-25,000	1 mth
Income bonds	13.50	10.12	8.10	monthly	2	2,000-25,000	3 mths
Capital bonds	13.00	9.75	7.80	yearly	2	100 min.	3 mths
35th issue‡	9.50	9.50	9.50	not applica	3	25-1,000	8
Yearly plan	9.50	9.50	9.50	not applica	3	20-200/month	14
General extension	5.01	5.01	5.01	not applica	3	-	8
MONEY MARKET ACCOUNT							
Schroder Wagg	10.23	10.72	8.58	monthly	1	2,500	0
Provincial Bank	10.24	10.73	8.59	monthly	1	1,000	0
UK GOVERNMENT STOCKS							
8pc Treasury 1991	11.16	9.13	7.90	half yearly	4	-	0
8pc Treasury 1992	11.08	9.02	7.78	half yearly	4	-	0
10.25pc Exchequer 1995	10.86	8.29	6.73	half yearly	4	-	0
8.5pc Treasury 1994	10.97	8.76	7.43	half yearly	4	-	0
3pc Treasury 1992	8.01	7.22	6.75	half yearly	4	-	0
Index-linked 2pc1992§§	12.15	9.01	8.70	half yearly	2/4	-	0

*Lloyds Bank.†Halifax 90-day: immediate access for balances over £5,000.‡ Special facility for extra £10,000 §Source.Phillips and Drew. §§Assumes 6.0 per cent inflation rate. 1 Paid after deduction of composite rate tax. 2 Paid gross. 3 Tax free. 4 Dividends paid after deduction of basic rate tax.

Trusts under management

	Size (£m)	Launched	Performance over 5 yrs	sector
American Grth	25.5	1974	-5.2	+4.0
Assets & Earns	17.9	1987	n/a	n/a
Commodity	9.4	1966	+29.6	+20.6
European	27.7	1985	+56.6	+81.1
Europ Smaller	17.6	1985	+60.7	+81.1
Extra Income	46.1	1966	+43.7	+59.4
Financial	20.8	1956	-8.5	+15.8
French Grth	13.9	1987	n/a	n/a
Gilt	10.1	1980	+15.2	+29.0
Gilt & Fixd	32.1	1981	+23.9	+29.0
Global Inc	12.6	1985	-4.0	+2.0
Gold	10.7	1984	-13.3	+20.6
Gt Brit Cos	73.5	1967	+46.8	+43.0
Hong Kong I	4.9	1981	+3.7	+81.8
Inc & Grth	136.5	1969	+68.8	+56.3
Inter Bond	11.0	1988	n/a	n/a
Inter Grth	57.8	1963	+9.6	+38.6
Inter Leis	6.6	1984	8.4+38.6	
Inv Trust	24.5	1990	n/a	n/a
Jap Perf	83.1	1969	+138.4	+122.1
Jap Sm Cos	24.1	1983	+201.2	+122.1
Managed	16.5	1986	n/a	n/a
Preference	9.5	1977	+2.0	+29.0
Property	5.0	1964	-3.4	+15.8
Rupert	3.6	1988	n/a	n/a
SE Asia Grth	51.2	1985	+107.4	+61.8
Singapore	34.9	1987	n/a	n/a
Smaller Cos	2.9	1972	+7.1	+43.0
Spec Feats	13.8	1984	+56.9	+43.0
UK Growth	36.8	1938	+12.4	+43.0
UK Income	63.0	1965	+50.2	+68.0
US Smaller	21.1	1984	-19.2	+4.0
Investment trusts				
City & Comml	51.6	1940	n/a	n/a
Consol Vture	18.3	1973	n/a	n/a
Drayt Asia	60.3	1989	n/a	n/a
Drayt Consol	144.5	1926	n/a	n/a
Drayt Eng & Int	42.6	1929	n/a	n/a
Drayt F East	93.6	1962	n/a	n/a
Lever Opp	3.2	1989	n/a	n/a
Triplevest	97.4	1966	n/a	n/a

Source: Finstat. Performance figures are for 5 years till November 1. Size figures as of that date.

How to kill party spirit

INVITING THE local Inland Revenue Inspector to your company's Christmas party might seem like a friendly festive season gesture. But, even if he comes dressed in a Teenage Mutant Hero Turtle outfit, he is likely to be carrying a pocket calculator. The nasty surprise in his Christmas crackers may turn out to be tax bills for the company's employees.

The starting point for this pantomime is the increasingly tightly-drawn legislation which ensures that virtually all benefits provided by an employer to his staff are now taxable. That includes the "benefit" of attending a Christmas party or other social occasion financed by the employer.

The tax net only extends to directors and employees earning at least £8,500 per annum but even lower-paid staff will be caught if admission to the party is by ticket – the statutory provision which taxes receipt of tickets applies to all employees irrespective of salary.

But although the Revenue would be entitled to claim tax from virtually all party-goers, the taxman has no wish to play the part of Mr Scrooge. An extra-statutory concession published in 1988 declared that the Revenue would turn a blind eye "where an employer entertains his staff generally on a moderate scale." On the other hand, the statement emphasised that "lavish" entertainment would attract the full rigours of the Revenue's tax collecting machinery.

The moderate/lavish border was set at overall expenditure – including food, drink, hall, music etc – of £50 per head. Going above this limit means that the whole amount spent – not just the excess over £50 – will be assessed as a benefit.

Invitations to Christmas parties are, of course, often extended to "other halves." The Revenue has confirmed that the total cost of the function is to be divided by the total number of guests, not just those who are employees. If, for example, a party costing £9,000 is attended by 100 staff and 100 others the Revenue will accept that the cost per head is only £45 rather than £90.

The focus on the number attending can have its negative side. You will not be allowed to count guests who are expected and catered for but do not turn up. This introduces an element of uncertainty which may confound a company's carefully-calculated attempt to conform to the Revenue's idea of moderation.

Reverting to the earlier example, if 21 or more guests drop out, the average cost for the remainder will be pushed above the critical £50 level. This seems rather hard luck in such circumstances for those who do attend since they are unlikely to get any greater "benefit" from the function merely as a result of there being a few empty places.

If a party is over the limit, employees will be taxed not just for themselves but also for any guests they bring. There had been a suggestion that this extra charge could only apply if the guest was the employee's spouse but the Revenue has now made it clear that it rejects this limitation. So taking a "friend" to the party can no longer be explained away to the wife or husband as being simply the tax-effective way of arranging your affairs.

The Revenue's concessionary treatment applies not just to Christmas parties but also to "alternative functions of a similar nature." Only one untaxed function is permitted in each calendar year. If a company puts on two functions the concession will be applied to the more expensive event, provided it is below the £50 limit.

For example, if a company hosts a summer outing costing £25 per head and a Christmas party costing £40, only the former will be taxed as a benefit. But if the Christmas bill was £55 that would have to be fully assessed and the benefit of the concession would instead apply to the summer gathering.

It is difficult to imagine a more counter-productive way of attempting to generate employee goodwill than inviting staff to a lavish banquet and then leaving them to the mercies of the taxman. Employers wishing to avoid such a debacle can simply pay the tax on the employees' behalf. But any such payment will need to be on the grossed-up amount of the benefit, eg if the party cost is £60 per head the company's liability would be £20 for each basic rate (25 per cent) taxpayer and £40 for an employee in the 40 per cent tax bracket.

'Beware of a bearded man carrying a large sack'

In addition, the employer will have to pay for national insurance contributions.

All of which adds up to a considerable incentive to stop costs rising above the magic £50. In the meantime, party-going employees should beware of a bearded man carrying a large sack. It may be full of tax assessments.

David Cohen

■ *David Cohen is a partner in the City law firm of Paisner & Co.*

The Week Ahead

THE CITY is bracing itself for a steep descent into loss by Rosehaugh, the property developer headed by Godfrey Bradman, following heavy write-offs by its retail and residential subsidiaries. The results for the year to June, which will be announced on Tuesday, are expected to show pre-tax losses of around £150m compared with pre-tax profits last year of £36.1m.

Thursday's announcement of MEPC's results for the year to September 30, which are expected to show pre-tax profits of £150m (£127.5m), are also awaited with interest. They will reveal the extent of the fall in its asset values, which may be as far as 750p (881p).

Argyll, the food retailer which owns the Safeway and Lo-Cost grocery stores, is likely to announce a healthy increase in pre-tax profits when it releases its interim results on Tuesday. Analysts expect taxable profits to rise to about £140m, a 30 per cent uplift.

COMPANY NEWS SUMMARY

TAKE-OVER BIDS AND MERGERS

Company bid for	Value of bid per share**	Market price**	Price before bid	Value of bid £ms**	Bidder
	Prices in pence unless otherwise indicated				
Autos Distinction	13	12	13	4.20	Cargo Control
Birmingham Mint	85*	82	60	12.19	IMI
Capital Leasing	Ir44*	Ir40	Ir18½†	Ir12.47	BNP
Carroll (P.J.)	Ir160*§	Ir154	Ir125	Ir72.84♣	Rothmans Intl.
Davies & Met. Ord	275*§	272	270	13.48	Thyssen Ind.
Davies & Met. A	265*§	262	250	4.85	Thyssen Ind.
Foseco	275*	262	186	236.8	Burmah Castrol
Klark-Teknik	69*	68	63	11.00	Mark IV
Lowe Grp.	441	430	265	114.37	Interpublic
McLaughlin&Harvey	135*	139	130	7.47	TBF Thompson
Priest (B.)	112*	115	90	44.9	Intl. Marine
Priest, Marians	36§	33	30	5.08	Grovewood Secs.
STC	327*§	317	291	1.9bn	Nthn Telecom
Xtra-Vision	Ir5½	Ir5½	Ir7	Ir5.02	Cambridge Group

*All cash offer. ††Cash alternative. ‡For capital not already held. ‡Unconditional. **Based on 2.30pm prices 23/11/90. †At suspension. §§Shares and Cash. ♣ Value of 61.2% not already owned.

PRELIMINARY RESULTS

Company	Year to	Pre-tax profit (£000)		Earnings* per share (p)		Dividends* per share (p)	
Anglo Irish Bank	Sept‡	6,150	(3,780)	7.22	(5.65)	3.38	(2.97)
Ashley Group	Aug	13,570	(5,920)	9.1	(6.8)	1.625	(1.25)
Clyde Blowers	Aug	397	(280)	27.5	(17.8)	7.9	(7.15)
Cosalt	Sept	3,780	(5,040)	22.7	(29.2)	10.75	(10.0)
Diploma	Sept	19,000	(19,500)	21.4	(22.3)	8.5	(8.5)
ECC Group	Sept	86,400	(150,600)	20.1	(44.9)	19.8	(19.8)
F&C Eurotrust	Sept	1,170‡	(641‡)	3.0	(2.57)	2.25	(2.18)
Ferry Pickering	Aug	2,340	(2,830)	12.2	(15.4)	5.2	(5.2)
Glasgow Income	Sept§	1,000††	(1,080††)	3.46	(3.72)	3.15	(2.82)
Greenwich Res.	Sept	1,236 L	(2,150 L)	-	(-)	-	(-)
Greyfriars Inv.	Sept	548	(-)	4.68	(-)	6.0	(-)
Millwall Hldgs.	May§§	848 L	(717 L)	-	(-)	-	(-)
Morland & Co.	Sept	6,200	(6,600)	27.6	(31.7)	5.45	(5.12)
Radio Clyde	Sept	2,170	(1,960)	22.0	(20.4)	8.25	(7.5)
Ranks Hovis	Aug	133,200	(176,500)	28.5	(34.4)	12.7	(12.7)
Shani Group	July	1,890	(2,500)	9.0	(11.3)	4.0	(4.0)
Whessoe	Sept	6,510	(4,780)	22.6	(17.5)	6.25	(6.0)
Wiggins Group	Mar	13,600L	(7,100)	-	(35.2)	-	(9.0)

INTERIM STATEMENTS

Company	Half-year to	Pre-tax profit (£000)		Interim dividends* per share (p)	
Alan Paul	Sept	1,620	(510)	1.0	(0.9)
Amber Industrial	Sept	1,310	(984)	4.5	(4.4)
Ambrose Invest. Tst.	Sept	912‡	(804‡)	5.82	(5.28)
BAA	Sept	205,000	(186,000)	5.25	(4.5)
Babcock Int'l.	Sept	21,350	(20,110)	1.2	(1.2)
BAT Industries	Sept♣	599,000	(1.07bn)	-	(-)
Bogod Group	Sept	90	(45)	0.1	(0.1)
British Gas	Sept	88,000L	(112m L)	3.75	(3.2)
British Investment	Sept	16,770#	(11,280#)	9.5	(9.0)
Brown Shipley	Sept	n/a	(n/a)	3.0	(4.5)
Bulgin AF & Co.	July	34	(227)	-	(-)
Cable & Wireless	Sept	301,000	(241,000)	3.7	(3.1)
CCS Group	May	105	(81)	0.2	(0.2)
City of London PR	Sept	344	(470)	1.04	(0.95)
CML Microsystems	Sept	2,130	(1,880)	-	(-)
Courtaulds	Sept	87,100	(70,900)	3.4	(3.1)
Davy Corporation	Sept	8,420	(11,131)	-	(2.75)
EMAP	Sept	13,890	(13,400)	1.9	(1.72)
Emmet R&J	June§	85	(184)	1.25	(1.25)
Erskine House	Sept	6,520	(7,830)	2.5	(2.5)
F&C Germany Inv Tst	Sept	1,819♥	(1,630♥)	-	(-)
Ferrari Holdings	June†	390 L	(894)	-	(-)
Fleming High Income	Sept	918♣	(1,190♣)	1.45	(1.3)
Forward Group	July	408	(384)	1.0	(1.0)
Foster John	Aug	928 L	(711)	-	(1.75)
Gates (Frank) G	June	553	(1,250)	-	(-)
Goldsmiths Group	Sept	44	(860)	1.5	(-)
Grampian Television	Aug	3,162	(1,050)	0.7	(0.7)
Hardy Oil & Gas	Sept	1,839	(2,900)	-	(-)
Harland Simon	Sept	2,510	(1,720)	2.0	(1.5)
Hartlepool Water	Sept	489	(-)	20.0	(-)
Hartstone Group	Sept	2,360	(700)	1.25	(0.75)
Hazlewood Foods	Sept	22,540	(24,480)	2.1	(1.8)
Hogg Robinson	Sept	6,740	(6,650)	2.25	(2.0)
JS Pathology	Sept	1,740	(2,040)	1.8	(1.5)
Kewill Systems	Sept	1,510	(1,130)	-	(-)
Lopex	June♥	5,410	(3,390)	2.9	(2.6)
Merchant Retail	Sept	1,370	(1,980)	1.1	(1.1)
Owen & Robinson	July	1,280 L	(117)	0.15	(0.15)
Pelican Group	Sept	263	(30)	-	(-)
Personal Assets Tst.	Oct	239®	(231®)	-	(-)
Portsmouth & Sunder.	Sept	3,110	(3,020)	2.9	(2.28)
Powell Duffryn	Sept	12,080	(13,220)	6.6	(6.6)
Readicut Int'l.	Sept	5,300	(6,500)	0.65	(0.65)
Ritz Design Group	Sept	855	(743)	1.6	(1.39)
Rothmans Int'l.	Sept	242,600	(224,100)	6.8	(6.2)
Scantronic Holdings	Sept	2,020	(3,100)	0.79	(0.71)
Sims Food	Sept	2,610	(3,300)	2.84	(2.64)
Sketchley	Sept	5,540 L	(4,990)	-	(8.5)
Stratton Invest.	Sept	405®	(415®)	-	(-)
Surrey Group	Sept	198 L	(138)	-	(-)
Tamaris	Sept	460 L	(14)	-	(-)
Tie Rack	Sept	674 L	(272 L)	-	(0.46)
UPL Group	July	15 L	(330 L)	-	(-)
Volex Group	Sept	3,280	(4,260)	6.5	(6.5)
Waddington John	Sept	6,029	(9,060)	3.6	(3.6)
Whitbread	Sept	149,000	(129,000)	4.3	(3.8)
Wilshaw	Sept	574	(909)	0.1	(0.1)
Wood SW	Sept	32	(1,920 L)	-	(-)
Young & Co's Brewery	Sept	2,880	(2,600)	6.0	(5.5)

(Figures in parentheses are for the corresponding period.)
*Dividends are shown net pence per share, except where otherwise indicated. L = loss.† Last years figures for 9 months.# Gross Income.‡ Net taxable revenue.® Total income.§ Figures quoted in Irish punts & pence.§§ This years figures for 16 months.♦ Restated figures.♥ Total revenue.♣ Figures for 9 months.♣ 2nd quarter figures.§ Last years figures for 15 months.†† Net revenue.

RIGHTS ISSUES

Surrey Group is to raise £2.5m via a five-for-nine rights issue at 8p.
Tusker Resources is to raise £8.2m via a 1-for-2 rights issue at 10p.

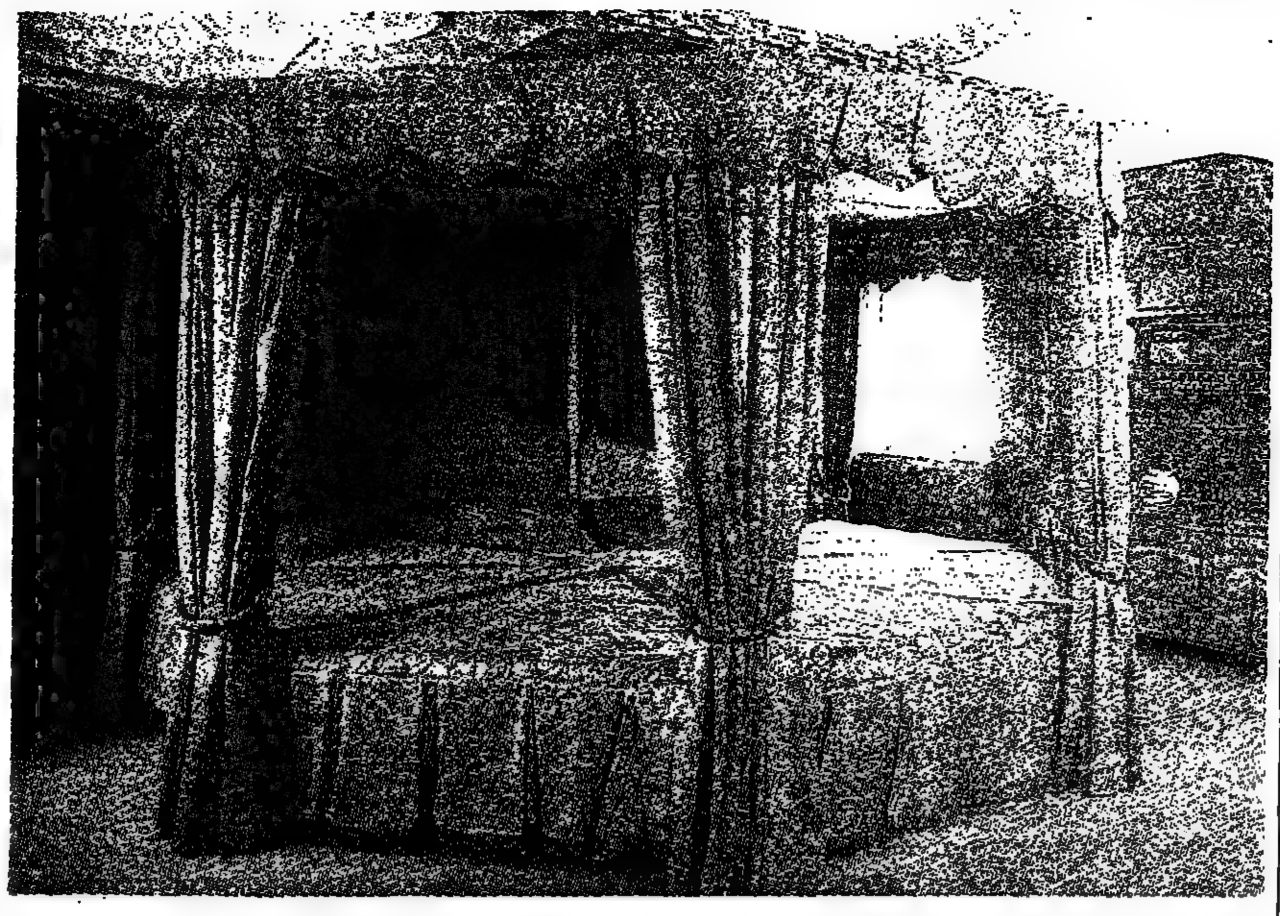
OFFERS FOR SALE, PLACINGS AND INTRODUCTIONS

RESULTS DUE

Company	Announcement due	Dividend (p)* Last year Int.	Final	This year Int.
FINAL DIVIDENDS				
ABI Leisure Group	Wednesday	-	3.1	-
Anglo Scandinavian Inv. Tst.	Tuesday		-	1.1
Apollo Metals	Tuesday	0.67	1.33	1.0
Capital Radio	Thursday	6.0	12.0	1.75
Control Techniques	Friday	1.8	3.7	2.15
Dunedin Worldwide Invest. Tst.	Wednesday	2.0	6.6	2.4
Fairline Boats	Monday	6.5	12.0	7.15
Guinness Mahon Holdings	Monday	0.8	1.3	0.8
Kwik Save Group	Wednesday	3.2	7.3	3.7
MEPC	Thursday	4.75	12.25	5.25
Radio City (Sound of Mersey)	Tuesday	3.0	7.0	3.5
Rosehaugh	Tuesday	-	2.0	-
Royal Bank of Scotland	Thursday	2.4	4.8	2.6
Scottish Investment Trust	Thursday	1.15	2.35	1.4
Sidlaw Group	Thursday	3.0	4.7	3.0
Tate & Lyle	Wednesday	2.9	6.1	3.3
Turkey Trust	Thursday	-	3.2	-
United Drug	Friday	1.585	3.415	1.75
Wescol Group	Wednesday	-	-	1.5
Young H Holdings	Tuesday	2.0	4.0	2.0
INTERIM DIVIDENDS				
Alba	Wednesday‡	1.5	1.75	-
Allied-Lyons	Tuesday	5.65	11.3	-
Alphameric	Friday	-	-	-
Anglovaal	Monday♣	300.0	92.0	-
Antares Group	Tuesday	-	-	-
Argyll Group	Tuesday	2.45	4.8	-
Bexbuild Developments	Wednesday	-	-	-
Caledonia Investments	Thursday	4.0	8.0	-
Carroll PJ & Co.	Monday♣●	4.1	4.1●	-
Castings	Thursday	2.2	4.8	-
Christie Group	Tuesday	1.4	1.4	-
Dawson International	Thursday	2.9	6.1	-
Europa Minerals	Tuesday	-	1.0	-
European Colour	Friday	0.2	0.4	-
Hambros	Wednesday	3.6	7.9	-
Hewetson	Tuesday	1.6	2.9	-
Hunter Saphir	Thursday	1.35	3.7	-
Jarvis Porter	Thursday	1.4	3.5	-
Johnson Matthey	Thursday	2.5	8.0	-
Kembrey	Thursday	-	-	-
Kitty Little Group	Wednesday	0.575	-	-
Lees John J	Monday	0.75	1.25	-
Lyons Irish Holdings	Wednesday	4.68♣	9.09♣	-
Marston, Thompson & Evershed	Tuesday	1.11	2.91	-
Maxwell Communication Corp.	Wednesday	6.5	6.6†	-
Merrydown Wine	Monday	1.0	6.0	-
Mountview Estates	Thursday	4.0	7.5	-
NEC Corporation	Wednesday†	4.5	5.5	-
North West Water	Wednesday	-	10.47	-
Northern Foods	Tuesday	5.25	7.25	-
Northumbrian Water	Monday	-	10.69	-
NSM	Wednesday	-	3.5	-
Optometrics (USA)	Wednesday	-	-	-
Osborne & Little	Thursday	2.0	3.8	-
Penny & Giles Int'l.	Thursday	1.25	3.0	-
Porter Chadburn	Thursday	0.725	1.45	-
Premier Consolidated Oilfield	Thursday	-	-	-
Property Partnerships	Monday	2.25	4.1	-
Scottish & Mercantile Inv Tst	Monday	1.2	2.28	-
Shanks & McEwan Group	Wednesday	8.5	14.3	-
Southnews	Tuesday	1.6	3.2	-
South West Water	Thursday	-	11.62	-
Stocklake Holdings	Thursday	7.5	10.5	-
Stoddard Sekers Int'l.	Friday	0.55	1.95	-
Thomson Corporation	Wednesday‡	20.6	10.3	-
Trimoco	Wednesday	0.6	0.8	-
Vernon International	Wednesday	0.21	0.6	-
Vibroplant	Monday	1.22	2.88	-
Vistec Group	Friday	0.1	-	-
Vosper Thornycroft	Tuesday	3.125	6.75	-
Wagon Industrial Holdings	Wednesday	5.75	10.35	-
Walker & Staff Holdings	Tuesday	-	3.0	-
Xtra-Vision	Friday	0.3	0.55	-

*Dividends are shown net pence per share and are adjusted for any intervening scrip issue.† Dividends quoted in Japanese yen per share.‡ Dividend payment for 15 month period.♣ Dividend payments for 9 months ... figures quoted in US cents.♣ Dividends quoted in Irish punts & pence.● Dividend payments for 18 months.♣ Dividends quoted in South African cents per share.

MINDING YOUR OWN BUSINESS



Quilt-edged insecurity: the Yorkshire Poster, which is the biggest bed in the world

Ian Macgill on a publicity scheme which turned into a nightmare

From bed to worse

DONALD TRUMP does not want it, nor do Robert Maxwell, the Sultan of Brunei and the Duke of Westminster.

The world's biggest bed comes up for auction on Monday.

It is a half-ton, eight poster with a 14 foot octagonal mattress which has driven the two men who made it into bankruptcy with debts of £26,000.

The collapse of the bedmaking partnership of Steve Peary and Dave Gill, of Richmond, North Yorkshire, provides a cautionary tale for any small business which believes a grand publicity gesture can be a substitute for marketing.

The two craftsmen made the bed without any clear idea who would buy it.With the help of a freelance public relations consultant, Anne Ford, they wrote and wrote to rich people, but none expressed interest.

The pinewood bed, called the Yorkshire Poster, was made early in 1989 a year after Peary and Gill – Four Poster Bedmaker was established to make four posters of a more conventional size. They found they could not afford national advertising and hoped to gain good publicity by selling the giant bed for charity for about £50,000.

The bed delighted reporters and photographers when it was unveiled at Ripley Castle, near Harrogate. Minstrels strummed as students dressed as Henry VIII and his wives romped across the giant mattress which Ford had persuaded Dunlopillo to donate free.

The bed went on show at a hotel in Richmond, at the Metro Centre, Gateshead, and spent almost two weeks in Harrods in London before featuring on the BBC television's Blue Peter, when it created a world record as 64 children crammed on to it. Virginia Newton, a 28-year old seamstress who runs a small business called Victorian Principle from her two bedroom home in Burnham-on-Sea, Somerset, agreed to stitch 1,000 ft of fabric for the big bed's drapes. Like Ford – who is owed £5,000 – she agreed to wait for payment of her £8,000 costs until the bed was sold. She also saw it as a way of promoting her work.

Much of this faith in the eight-poster was inspired by the fact that Elton John had not long before paid £85,000 for a bed made by Lord Linley.

Ford, who is now a public relations officer for Norwich Union in Wakefield, was so sure the world's biggest bed would sell for a similar price that she paid for the minstrels and publicity material herself.

However when the bed was put up for auction, it failed to attract any bids.

Victorian Principle, collapsed last year after trading for 18 months. Newton, who is a single parent, expects to lose her home soon to pay off £21,000 of debts.

"That bed has ruined me," she said. "I got too involved, sometimes working on it from 7 am through to the early hours."

Until they went in to business together Steve Peary, who is 32, and Gill, 36, had been toolmakers with an engineering company. Carpentry was their hobby, and in their spare time they made four posters for friends and relatives.

They decided to go into bedmaking full time, and after attending a government sponsored business course, they set up in an industrial unit in Richmond with a YTS trainee.

They started on funds of £6,700, made up of £1,000 in savings; two grants for machinery totalling £1,700 from North Yorkshire County Council and Richmondshire District Council; £2,000 from the DTI, and a NatWest development loan of £2,000.

"We immediately got an order worth £10,000 from a local hotel," said Gill. "That was in response to a small advertisement in a local paper and it made us think finding work would be easy.

"It became harder and harder, and a big problem was that hotels wanted their beds almost immediately, so we'd work like mad to finish an order, and then find we'd no more jobs lined up. In the end, Steve had to go on the road full time looking for work."

They thought they could make the bed for £5,000, but now calculate that they will need to sell it for at least £26,000 to break even.

There is little hope of that. Auctioneer Nigel Smith of Henry Spencer and Sons, who are selling the bed in Retford, Nottinghamshire, said it will be the centrepiece of the sale, but doubts it will fetch even £6,000. The money will be divided between Peary and Gill, Virginia Newton and Anne Ford.

When Peary and Gill stopped trading in February the to men had made and sold 40 4-posters, and were left with debts of £26,000.

There was an overdraft of £22,000 with NatWest, which Gill had secured against his two bedroomed house in a village near Richmond.

He said: "When I put the house up I never dreamed I would have to sell it, but interest on our debt was piling up at something like £100 a week, so the bank told me to sell my place – sell everything.

"I was scared stiff, so I sold the house and all my possessions. I wanted to sell my car, but it got stolen, which sums up the luck I've been having."

Divorced long before he went into business, Gill now lives alone in a caravan not far from the house he lost. He is back working as a toolmaker, having paid off £16,500 of the debt.

"There's not a cat in hell's chance of me ever going back into business," he said. "There's too much hassle and worry. All the publicity didn't bring us a single extra order."

Peary has stored the bed at his council flat in Richmond, and says he will be glad to see the back of it. He regards the remaining £9,500 of Peary and Gill's debts as his responsibility, but has no idea how he can ever find the money. He is divorced, and pays £15 a week maintenance for his son out of take-home pay of £160 a week from his job as a toolmaker at Teesside Airport.

"I'm very proud of what we did," he said, "we made some fine beds and had a lot of very happy customers. It cost us an awful lot, but if I hadn't had a go at being my own boss I'd have always wondered how things might have turned out."

Meditations on the scent of success

Nick Garnett looks at a company which moved from mantras to marketing strategies

EVERY MORNING 15 or so employees at Mountain Breeze gather together for an hour and refresh their minds by silently repeating a mantra. This surprising exercise is a hangover from the company's former manifestation as part of the Transcendental Meditation movement.

While this activity carries on at a hall near the company's mini factory in Skelmersdale, Lancashire, the company has developed a hard-nosed business approach. It has carved a powerful niche in the manufacture of equipment for purging the atmosphere of airborne muck. It is Britain's biggest supplier of ionizers, and its equipment, which includes air cleaners and air fragrance, machines is sold in many stores from Boots to Harrods.

Customers range from those who simply want to neutralise nasty niffs to bird lovers dreading "pigeon fancier's lung" and Mountain Breeze has cranked up sales from £300,000 in 1984 to an expected £4.5m this year which makes it a more substantial company than is normally featured in this column. But, it offers important clues on how tiny businesses develop into medium-scale operations. In the process the company has had to mop up a range of dusty problems and give itself a much more robust constitution by behaving more like a larger business.

The original Mountain Breeze company went into receivership in the early '80s when profits started evaporating. It was transformed by a small group of entrepreneurs using just £40,000 of capital. One of those was Geoffrey Gay, who had devised some of Mountain Breeze's original products including its needle point ionizers which emit negative ions – some claim these are beneficial to health – and attract dust from the air.

Yearly sales crept up from £300,000 in 1983 to £500,000 in 1985 and to just under £1m in 1986. By the following year they had more than doubled to £2.2m and by last year the company was turning over £3.5m, with a profit margin estimated by the rest of the industry at about 10 per cent. It now sells 200,000 units a year retailing between £25 and £300.

The lurch from a rather asthmatic to a more pneumatic performance has been partly fanned by shifts in policy, according to Stephen Cross who took over as managing director four years ago and now holds 11 per cent of the company's shares. "When I joined there were two things that really needed to be done and they were very simple ones. That was to expand the sales force and get more of the big customers signed up."

The company was already selling in Boots and John Lewis stores. It has added Argos, Currys and a clutch of independent health food shops and chemists. It has sometimes taken two years to get a foothold in a store chain.

Mountain Breeze shows that even small companies must make a big effort to mix it in the market. It had no travelling salesmen. "So we put five out on the road together with the sales manager and we backed that up with two telesales people in-house."

The promotional budget was pumped up. The company had been spending about £25,000, mainly on small adverts in newspapers. That was gradually extended to £230,000 above the line and £130,000 below.

Mountain Breeze also shows what a small business can do if it takes exporting seriously. Cross says the company should have made a big export effort much earlier even if it had meant borrowing. Since he arrived the company has employed an export manager and sales abroad account for 40 per cent of turnover.

It tried to recruit an export manager using employment agencies but an advertisement in one of the Sunday papers eventually secured a former Alcan employee. "She had the kind of qualities that you look for. There are not many people who can get a Cavalier on Monday morning, fill it with samples, drive to Germany and come back a week later with £100,000 worth of business."

Mountain Breeze has had its own companies in France and Germany since the beginning but in the past three years it has taken a much tougher line with distributors.

"Before we appoint an exclusive distributor we spend a lot of time with them working out a marketing plan, agreeing things like price and what the retailers are going to get and promotional investment," said Cross.

"We made a mistake in the early days by just selling without really following it through and building a close relationship with an export agent. That is disastrous. We would have products on sale in France at £100 per unit whereas in the UK they were on sale for £40 per unit. Then we started to wonder why the volume was so low in France. What we were trying to achieve as a manufacturer was volume. What he was trying to achieve as the distributor was an easy life and a big margin."

The company found that market research can be invaluable as a barometer of taste. "We discovered that the message about negative ions being healthy was not important. What was, was cleaning air."

Mountain Breeze is vulnerable to larger companies introducing similar products. "That could initially increase the size of the market but it might eventually lead to a considerable lost of market share for us." Pifco and Tatung compete with Mountain Breeze and Philips is entering the market next year.

Whatever the benefits of Transcendental Meditation, it has not always generated a harmonious atmosphere among Mountain Breeze's managers. Relations are a lot better at the top of the company than they once were, says Cross. "There is no doubt that a key factor in the growth of the company is harmonious management. Whenever we have had serious disagreements it has adversely affected the company's prospects."

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PERSPECTIVES

Despatches

'You cannot eat a Nobel prize'

Jack Chisholm, a resident of Leningrad, reports on the harsh struggle that is everyday life in the crumbling Soviet system

WINTER IS coming, the food is running out and everyone is scared. The enthusiasm that accompanied perestroika has faltered and died. Ordinary Russians are indifferent both to Gorbachev, and his popularity in the West; they have no faith in the president's ability to change the system – and especially to put goods in the shops. You cannot eat the Nobel peace prize.

Many believe in Boris Yeltsin, while Leningraders hope that the new economic zone, proclaimed by Anatoli Sobchak, the city's non-communist mayor, can drag the city out of the abyss. A bitter, contemporary joke suggests the best way to resolve the crisis is to declare war on Finland, then surrender.

For many, all hope has gone and despair is common. As one Leningrad leader told me: "The people no longer believe in the party, the government or God. Nobody believes in anything any more. We just live from day to day hoping things will not get worse."

The local party not only is, but is seen as being, irrelevant. Its first secretary, Boris Gidaspov, who used to appear regularly on television, is now all but ignored even by former supporters. What, they ask, has he actually done?

Few Russians share western preoccupations with the Gulf, beyond hoping that Soviet armed forces will not be involved in "foreign adventures". Kuwait and Iraq are considered peripheral.

What matters is food, keeping warm and keeping dry. Foreign ministry spokesman Gennadi Gerasimov was right when he said that the old systems have collapsed and their replacements have not yet begun to work.

Take, for example, something as basic as shoes. Footwear has always been a problem, with a pair of boots costing two months' salary. Now you cannot buy socks and as for food . . .

For years nightly news reports on the harvest drew hollow laughter from city dwellers – it did not matter. This year everyone cares. There is real fear of starvation, fear underscored by glasnost which means that people now know how bad the situation is.

A bumper harvest was expected, until the rains came. Crops rotted in the ground and potatoes sank into a sea of mud, making mechanised harvesting impossible. The autumn was cold as well as wet and city authorities did not turn on the heating until late September. Like many others, I caught bronchitis. A local doctor prescribed four different types of medicine. "You only need one, but I do not know if any of them will be available. You know about our deficits." It takes time to recover with room temperatures around 7°C.

Everyone says things will get worse, maybe much worse, but the city is already enduring its worst crisis since the World War Two blockade. What does "much worse" mean? You can still buy bread, usually, though suburban deliveries are increasingly erratic and older people especially dry and store it ready for the new siege.

I wanted two loaves, which were handed over grudgingly. Why two? I was asked. Bread is crucial, for there is little else outside cooperative shops and market stalls, and nothing is available without queuing. Rice and macaroni periodically disappear from the shelves and the summer was well under way before you could buy tomatoes from state shops. The apples on sale look like the ones thrown out by English grocers and people only know fruit westerners take for granted from pictures. Most adults have never seen a pineapple; words like "kiwi fruit" or "avocado" are meaningless.

Free enterprise flourishes at the market where, especially in the autumn, there was plenty of fresh fruit and vegetables, albeit at prices which most citizens could not afford, and the flowers for which all Russians seem to have an insatiable passion, perhaps because of the ephemeral brightness they bring to the sordid drabness of daily existence.

You cannot buy furniture, for example, and untravelled Russian friends pored for hours over an IKEA catalogue before asking revealing questions: "Do these goods actually exist? Are they really for sale, or just pictures?"

There have been consumer "strikes", and demonstrations to demand supplies of cigarettes and petrol, and – more ominously – demonstrations against the city Soviet's failure to deliver. Realistically, many now ask when the so far sullen protests will escalate into something more violent.

Obtaining access to Soviet restaurants has always been difficult. There are comparatively few places where you can eat out and they, too, now face the universal shortages. My regular locale is a state restaurant on Gerzen Street, where the whole menu has shrunk to two main courses, "vodka", (Soviet) cognac or tea. That is all. And staff admit that the vodka is actually samagon, Russian moonshine. The bill was £2.20. Ludicrously low? Not when you think of people surviving somehow on pensions as low as R38, £3.80 a month.

Restaurants on Nevksi Prospect rush to find a table if they think customers will pay in the country's second currency: dollars or any other hard currency. When a journalist colleague, TV personality Anatoli Morgunov (Telemarathon and Telekurier), did some freelance work for the Americans, he asked to be paid in Betamax cassettes, thus keeping his film crew on the road.

Anyone holding lingering doubts about the gravity of the situation was brought down to earth last month when the city's most famous journalist, Alexander Nefzorov, muckraker or press crusader depending on your point of view, abandoned the conventional format of his 600 Seconds programme to screen an extraordinary broadcast on the city council.

Queuing for fish in a Leningrad store

Shots of rats crawling over the city emblem were cut into film of people doing handsprings in the corridors of the Leningrad Soviet, interviews with the mayor and city councillors.

The councillors questioned insisted that someone was controlling the city but were unable to say who . . . After 21 September the only people unaware of the chaos in the Leningrad leadership were those who did not want to know . . .

Inevitably, this mood of disillusion, discontent or plain hopelessness has been accompanied by a big increase in crime; especially burglary, since everything can be sold. Clothes, furniture, electrical equipment, luggage: all will find a ready price on the black market.

Barter dealing is widespread and growing, and not just at individual level: any tourist will tell you that a taxi driver who is "busy" will rapidly change his mind if offered payment in western cigarettes.

Even the privileges enjoyed by the *nomenklatura* and assailed by Yeltsin are not what they were. KGB officers who used to flaunt their Marlboros now smoke Belomor, the cheapest Russian cigarettes, if they can get them. And when I asked a city leader what I could bring him from the west, he asked for a bottle of aspirin. Faced with a similar request, a television presenter shook her head, sadly. "I do not suppose," she said, "you could bring us happiness?"

Jane Fuller revisits the scene of academic achievements and past rebellions

Tony Andrews

Back to School

Short skirts and other scandals

Jane Fuller finds the liberal dream has survived a change of system

AS USUAL I was about to be late for school. Instead of a five-minute sprint from home to Kenilworth Grammar School, pausing only to hide from the senior mistress as she said goodbye to her dog, I was exceeding the speed limit in Windy Arbour, a typical stretch of blissful suburbia in a Warwickshire town noted for its old castle and modern residential desirability.

Turning into Leyes Lane, which used to be where the countryside began, a new vista of housing estates was the first sign of change. The second was rather more dramatic: the fence between the former grammar and secondary modern schools had come down. Now these two, plus another former secondary modern, are all part of one comprehensive, Kenilworth School,the town's only option for secular 12 to 18 state education.

Confused? Well, we weren't. I entered the former KGS building with Jane Hutchinson (née McLellan, now mother of three and a self-employed aromatherapist) just as we had done in 1966, when we were 11-plus passers from nearby Thorns primary school. Unerringly we headed for the girls' loos where, after slipping through the post-assembly inspection, we used to shorten our skirts to mini proportions by rolling up the waistband. The more brazen also applied mascara.

Rebelling against petty rules was one of our more vivid memories. Apart from anything else it helped to unite us with the boys, who fought equally bitter battles over the length of their hair and the circumference of their trouser legs.

Yes it was – and thank goodness remains – a mixed school. While we apparently sometimes went too far in exploring the nature of the opposite sex ("necking" was explicitly banned on the school playing fields), the most important piece of intimate knowledge gained was that we were just as clever as they were. Indeed, the prize-giving programme for 1971 shows that 13 girls passed eight O-levels compared with five boys.

It suited me well to go to the "poor man's public school" headed by the late R.N. Mitchell M.A. (Cantab), who always gave the impression that the school would go comprehensive over his dead body. He retired in 1974 and died before the comprehensive system was introduced in 1977.

The emphasis on academic achievement helped me to examination success and Cambridge University. All this happened without too much interference with my social life, then dominated by show jumping. In my friend's case, however, the narrowness and inflexibility of the curriculum soured her experience, and some of the present sixth formers echoed her view that you were less valued if you did not want to go to university.

Put to the teaching staff, this issue excited ambivalence. While stressing that to get grade D or E at GCSE was "a real achievement" for some individuals, Bernard "I'm not a marketing man" Crowther, one of the deputy heads of the school, brandished a marketing leaflet which boasted results "consistently higher than the national average".

On the other hand, a couple of ex-grammar school teachers were sceptical about the efficiency of dealing with mixed ability classes, as happened with the 12- and 13-year-olds. Another survivor, Peter Muckersie, our former geography teacher, was more enthusiastic, although his brow did furrow at the memory of being dumped unprepared in front of classes so comprehensive that they included louts.

At the other end of the scale, about 40 per cent of the pupils go on to the sixth form, where we found a refreshing desire for more rigorous correction of their work. "The only place I've learnt about grammar is in Latin lessons," said one.

Some things had undeniably improved. Sixth formers could now take a mixture of arts and science subjects and far more attention was given to careers advice. All fifth formers went on two weeks' work experience and the school had developed links with 200 local employers.

Jane and I were also impressed by talk of a computer-based system for assessing career aptitude – until, that is, one lad said it had suggested he become a playscheme organiser when he actually wanted to work for the Civil Aviation Authority. (Maybe that's not as odd as it sounds?)

Inevitably it was on the other side of Kenilworth, in the sixth form centre, that we found our spiritual roots – and our old teachers.

It was a liberal dream: instead of a spartan classroom enlivened by a provocative poster of David Bowie, there was a proper common room with comfortable chairs; instead of a hard-won sixth form uniform, there were faded jeans and sloppy jumpers; instead of a record player with the volume too low to drown the crackles, there were big wall-mounted speakers.

Amid all this welcome permissiveness, we asked whether there was anything left to rebel against. Did they have an anecdote to match the infamous "Pot is Peace" daubed on the gymnasium wall? No, but then that was the 1960s and, perhaps because of them, times had changed for the better.

Take feminism, for example. When we were at school only bra burning and contraceptives had *filtered* through, and we were ambivalent about the former. Stereotyping was rife. Girls were dragooned into cookery and needlework classes and later gravitated towards the arts. Now boys are introduced to the kitchen and – at last – as many girls as boys opt for physics and chemistry A-levels.

Yet when we went into one of the A-level history classes, the most striking thing was the *lack* of change. Although the topic was the Rise of Naziism rather than Henry VIII's Divorce, Brian Davies was still stimulating the pupils to use their brains and argue their points logically. No wonder I found it an anti-climax to study a king a week, in virtual silence, from a pile of library books at Cambridge.

With the pass rate at A-level very similar to that of 1973, when we took ours, where was the crisis in state education trumpeted only that week in the *Daily Telegraph*?

One boy's answer was that Kenilworth was "a bad example of a state school". What he meant was that it was a *good* school and therefore, if the headlines were to be believed, atypical. Indeed, the present headteacher Alex Begbie's protestation that it was "not a rich man's comprehensive" was a little unconvincing.

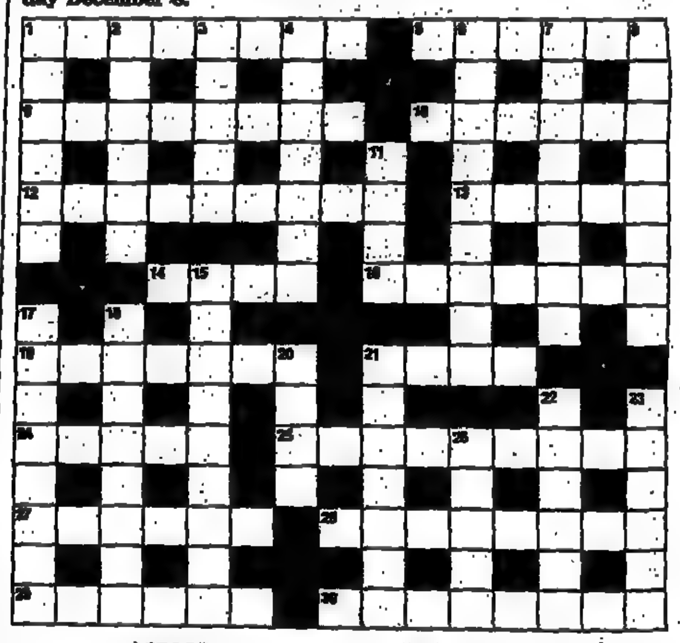
Yet as the school directs its marketing effort towards winning back children from the private sector, one question remains even more acute than it was when the grammar school opened in 1961: will the esoteric advantages of "a more rounded education" be enough to outweigh the exam-grade and Oxbridge-orientated attractions of schools such as Warwick and Rugby?

As for me, Kenilworth turned out to be as good a school as any to take such momentous steps as questioning parental politics, ceasing to believe in God and deciding that my virginity would not be worth keeping – as well as that little matter of passing exams.

CROSSWORD

No. 7,402 Set by CINEPHILE

Prizes of £10 each for the first five correct solutions opened. Solutions to be received by Wednesday December 5, marked Crossword 7,402 on the envelope, to the Financial Times, Number One Southwark Bridge, London SE1 9HL. Solution on Saturday December 8.



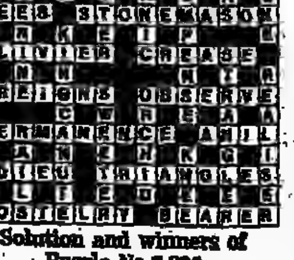
ACROSS

1 A large number like classical music for sending them to sleep (8)
5 It can throttle one all right, between church and monarch (6)
9 Continue with letters to send one to sleep? (4,4)
10 Down, strangely, with scheme in urban district as opposed to .... (6)
12 .... where one agrees to sleep? (4,2,3)
13 Attack on television? (5)
14 Lies sprawled in water (4)
16 Alternative means of transport for sleeper, maybe (7)
19 Southern sleeper in charge of team (7)
21 Sleep that's deep and firm, keeping mum (4)
24 Look round junction, boy, and fade out? (5)
25 New moon's fast prepared for sleep (9)
27 Unable to steer commercial division (6)
28 Vegetarian sleeping upside-down, offspring to cricketer? (5,3)
29 Sleep induced by nectar (6)
30 Sleep with honour amid aspersions (8)

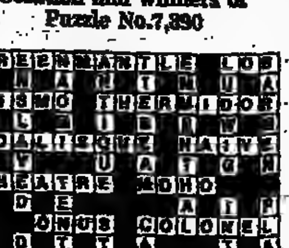
DOWN

1 I'll shortly damn my confusion, put with moderation (6)
2 Rebellion after sleep (6)
3 Start cheering on river for riverine beast (5)
4 Decapitated dramatist in card proved by alibi (7)
6 I spy month for sending one to sleep (9)
7 Sleep on vulgar bed, we hear, taken aback (8)
8 Bird at beginning of revolution (8)
11 Poem on river, international one (4)
15 Sweetener cut short opening of sleep (9)
17 Stick has broken machinery (8)
18 Queen's station at lake is a plum (8)
20 Sleep, et cetera? (4)
21 Beast takes in painter of rooms or houses (7)
22 Footballer swallows very soft stone (6)
23 Declares they are united (6)
26 Love, I'm up, worried: this could make me sleep (5)

Solution to Puzzle No.7,401



Solution and winners of Puzzle No.7,390



Miss Avril Coutts, Brussels, Belgium; Mrs M.M. Cuthbert, Cringleford, Norfolk; D.H. Moss, Tadworth, Surrey; R.G. Windebank, Highgate, London N6; A.W. Yates, Petts Wood, Kent.

Happy families for a tenner

***Lucia van der Post** outlines her Christmas competition — a test for imaginative givers*

A CHRISTMAS present for every member of the family at a tenner a head? Impossible? Are you sure? I have decided to test your ingenuity, to see whether you, the readers, could come up with a selection of really good ideas that could give as much pleasure on Christmas morning as their much more lavish counterparts.

There is a bottle of champagne (worth rather more than a tenner) for the best three entries. Please send us your list of presents for £10 each for the imaginary family and motley relations I have devised. No home-made presents are allowed, nor crafty little items brought back from long-haul holidays to Third World countries. The best of the suggestions will be printed on Saturday December 8. Answers to me by Monday week (Monday December 3) at How to Spend It, Financial Times, Number One Southwark Bridge, London SE1 9HL.

OUR archetypal family, the Downhams, have done well over the Thatcher years. **George**, the paterfamilias, grew up in a small terraced house in Sussex during the war. He lives in a large, if slightly shabby house outside Guildford where his garden is his pride and joy and golf the nearest thing he has to a hobby. Some may think him a bit of an old-stick-in-the-mud but underneath it he's rather a darling. He's in his 50s and has risen up the corporate ladder of in the pharmaceutical company he joined straight from his red-brick university. He travels a lot, so he's prone to pick up rather classy ties for himself and posh scarves for Jane while he whiles away time at airports.

Jane, his wife, went back to work in a local solicitor's office when the children had grown and in recent years has become rather a snappy dresser. The years of skimping and of not spending on herself are over, the Laura Ashley skirts and the frilly blouses things of the past. She's busying smartening up the house now that they have two incomes and Nicholas has left for university. The real problem with finding a present for her is that there is not much she cannot buy for herself.

Nicholas, is 19. He did well enough at A-level to get into the university his father dreamt about. The problem is that now he's there he's adopted what his father calls "ideas above his station". "Does he think I am made of money?" barks George. Nothing cheap or chain-store pleases Nicholas. He is into design in a big way and has his eye on a career in advertising where he hopes the Armani suits and restaurant meals will make up for the long hours he ... rd are par for the course.

Jill, is 15, and just a bit of a pain at the moment. If only the music she played was either not quite so loud or not quite so awful and if only she would put on something . . . well, a little prettier . . . if only her hair were not quite such a strange colour and if only her friends were not quite so numerous and quite so noisy. Her obsession with horses is beginning to wane — there was a time when the only career that seemed to lie ahead was a stable girl or a jockey, but shops and discos are beginning to weave their spell and she is rather nervously becoming aware that career decisions cannot be put off forever.

Pandora, George and Jill's niece is two and it's rather a long time since they have had much to do with two-year-olds. Are they right in thinking that Pandora is perhaps just the teeniest bit spoilt? None the less they're anxious to do the right thing and are wondering what would fit the bill.

Charles, Jill's brother and father of Pandora is 36 and earnis more than the rest of them put together. Somehow he survived the City cut-backs and is a valuable and established member of a leading blue-chip firm. The trouble is he's acquired a lot of expensive tastes along the way — velvet slippers, Berry' Bros wines, Turnbull & Asser ties, several holidays a year so he's awfully hard to please. He lives in a big old house on Wandsworth Common but it won't be long before he takes Sally off to a little manor house somewhere in Gloucestershire.

Sally, is 31 and she had a glittering career of her own but her ex-colleagues would scarcely recognise her. She has found a cause — saving the planet. Conspicuous consumption is out which means that she and Charles have some spectacular rows. In the big house she is often to be found cooking up great vegetarian stews and saving bottles for the bottlebank while Charles would so much prefer something a little more . . . well elegant. Charles would love to indulge her expensive tastes — the problem is that she does not have any.

Bill, is father to Jill and Charles, and at 70 as alert and independent as ever. He used to have a good solid job in a bank, these days he enjoys being much sought-after for local good works. He is a church warden, governor of the local school and he's never lost for something to do. When he is not restoring furniture (his retirement hobby) he is taking photographs or planning adventurous holidays with old friends. He is not much of an intellectual but offers an object lesson in how to get the most out of life.

Emma, is George's 67-year-old mother. She never seems to find much fun in life. She has long enjoyed ill health: her hips are bad, her eyes are not good, though that does not prevent her spending hours watching television, "foreign" food does not agree with her and really she does not know what the world is coming to.

Benjamin, aged nine, is Jill's godson and a source of considerable delight. He's bright and gifted and ever a pleasure to take on an outing. He spends every spare waking moment catching or throwing a ball of some sort and his parents are in some despair of ever getting him to read anything that is not Wisden or the Guinness Book of Records.

Cousin Andrew (on George's side) is a bit of a black sheep. He started out with so much promise. The golden boy who came top of everything in sight, he started as something in the City (nobody ever quite knew what) but after his second wife left him he seemed like a rolling stone, popping up from time to time, sometimes with wads of cash in hand, sometimes looking a little down-at-heel. The children, it has to be said, loved him. He brought a touch of gypsy glamour and a whiff of wild, wild ways into their rather staid and settled lives.

Mrs Jenkinson, the help who comes in three mornings a week and has become a much-trusted friend of the family. Though they smile at her taste in cardies and wish she could find a wine a little less sweet than the Blue Nun she so gives them every year, they nonetheless love her and do not know what they would do without her.

So there you have them - our archetypal family and a few assorted friends and relations. They may be fictional but everybody knows someone like them. Find the perfect items for under £10 for all of them and you will have solved many a present problem.

Winter draws on . . .

I DO NOT usually write about thermal underwear until after Christmas but, a sign of the times, this year there seem at least three good reasons for thinking about it early.

First, the temperature has plunged and, if my home and office are anything to go by, colds, flu and viruses are already cutting a swathe through the ranks.

Secondly, keeping the central-heating high seems extravagant — and not eco-friendly — so thermal underwear has a distinct role to play in keeping the cold at bay. Finally, though January and February may be the coldest, meanest months, if you wait until then what you will find in the shops is a rich choice of bikinis and sundresses but a paltry showing of thermal underwear.

Thermal underwear, of course, started off simply as underwear designed to keep the cold at bay. These days it does all that and more. As the lines between underwear and outerwear blur it is not always easy to tell which is which.

A black polo-suit looks suspiciously like a polo-necked sweater or "body." Slinky thermal leggings look remarkably like outdoor leggings. The lace peeping from under a suit jacket could belong equally to a vest or a camisole which is meant to be seen. There are still lacy vests and knickers for those who like to keep their underwear firmly in the right place but, for those who see no reason why a vest should not double as a sweater, or tights be turned into leggings and worn with a great big sweater, there is a lot of choice.

In strict terms, thermal simply implies that the fabric generates warmth but, when applied to clothing, it is usually applied to fabric made from bulky fibres that trap body warmth against the skin while also letting moisture out.

There are several fibres that do this. The good news is that most are reasonably priced and light and easy to wash. All the chain-stores, from Marks & Spencer, British Home Stores, Next and Knickerbox have excellent selections. Next, in particular, has a black polosuit made from Courtauld's Viloft which sells for just £14.99 and looks as smart as any "body" by a more a glamorous name.

Photographed right is a lacy teddy (£27) which, although not quite substantial enough to emerge entirely on its own, could be worn under a suit-jacket. The leggings are £7.95 while the spencer is £11 All three come from John Lewis department stores.

L.v.d.P

Latest fashion in thermals: teddy (£27), left, and leggings and spencer, (£7.95 and £11.0) right. From John Lewis stores.

CHESS

GARY KASPAROV and Anatoly Karpov resume their world title match in Lyons this weekend with the score deadlocked at 6-6 after the first half of the $3m series in New York. The outcome so far is a clear success for Karpov, and the pressure is on reigning champion Kasparov in the next few games to find the form which has made him the highest rated chess player in history.

Meanwhile the next global elimination series to find a title challenger in 1993 is in full swing. This year's interzonal in Manila was the final qualifier for the 1991 candidates matches, to be played early next year, probably in Indonesia. There will be seven individual matches, and their winners will be joined by the loser of Kasparov v Karpov in the quarter-finals.

The surprise of the interzonal was the success of 20-year-old Viswanathan Anand from India, who becomes the youngest candidate and only the second Asian to reach this advanced stage of the world championship. Anand demonstrated his talent in 1987 when he won the junior world title, but most experts discounted him as too immature for a serious interzonal contender. He is one of the quickest players on the circuit, known for playing entire games in under half an hour on the clock, a habit which overwhelms some opponents but brings its share of unforced errors.

In many countries such a result by a local young star would spark a chess boom with government support, as occurred in Iceland and the Philippines when they had qualifiers for the candidates. Moreover the origins of chess were probably in north west India around 550 AD. But Anand's success has coincided with diminished official backing in India, reportedly due to difficulties with foreign exchange, so that there is no Indian team in the current chess olympics while few of their players could attend the 1990 Commonwealth championships, staged as part of the annual Lloyds Bank international in London.

Anand qualified at Manila by a strong finish, scoring four from his last five. This week's key episode incidentally spoilt the chances of former British No. 1 Tony Miles, who has vainly tried to qualify as a candidate since the mid-70s.

White: A.J. Miles (UK). Black: V. Anand (India).

Old Indian Defence (Manila 1990).

1 Nf3 d6 2 d4 Bg4!?

This defence is the most significant development in chess openings in the past year or so. Batsford Chess Openings notes it without analysis, yet it was used by several players at Manila, notably Anand, Michael Adams, and Miles himself. The move 2 . . . Bg4 has been long known but its recent fashion is so sudden that the opening still lacks a name.

3 c4 Nd7 4 Nc3.

White makes no attempt to refute and transposes into a passive line against the Old Indian Defence. More critical is 4 Qb3 or, earlier, 3 h3.

4 . . . e5 5 e3 Be7 6 Be2 Ngf6 7 h3 Bh5 8 b3 c6 9 d5?

This invites Black's later Q-side activity; the normal plan is 9 O-O, Bb2, and exchange of light-squared bishops hoping later to direct knights to e4 or f5.

9 . . . O-O 10 dxc6 bxc6 11 O-O Nc5 12 Ba3 Qa5 13 Bb2 Qb6 14 Rb1? Bg6 15 Rc1 a5!

Miles's play is so planless that it appears a psychological trick, hoping Black will overreach; but Anand methodically improves his position and prepares to open the a file.

16 Ba3 Nfe4 17 Nxe4 Bxe4 18 Ne1 Rfd8 19 Nd3 Bg6! 20 Nxc5 dxc5 21 Qe1 a4 22 Rc3 e4!

Black shuts in one bishop to open a diagonal for the other; now he soon wins a pawn.

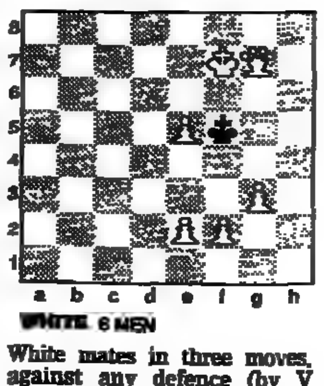
23 bxa4 Rxa4 24 Qc1 Qa6 25 Rd1 Ra8 26 Bb2 Rxa2 27 Rb3 Bf5 28 Qb1 Qc8 29 Bf1 h5 30 Be2 Bg6 31 Rd2 Bf6 32 Qd1 Qf5 33 Bf1 Kh7 34 Bxf6 Qxf6 35 Qe2 Ra1 36 Rbb2 Qc3 37 Rbc2 Qd3!

Miles tried to build a fortress, but this is decisive. If 38 Rxd3 exd3 39 Qd2 dxc2 and queens, yet the real, paradoxical point is to exchange queens and exploit White's weak back row and c4 pawn.

38 Rb2 Qxe2 39 Rxe2 Bf5 40 Rec2 Be6 41 Resigns. The threats Re1 and Raa1, winning the bishop, or Ra4, winning another pawn, gain more material.

PROBLEM No. 848

BLACK 1 MAN



WHITE 6 MEN

White mates in three moves, against any defence (by V Cisar, 1909). An unusual problem where the black king tries to dodge the white queen's attacks using White's own pawns as a shield. The obvious 1 Qf6+ would mate if Black co-operated by 1 . . . Kg4 2 Qf4+ Kh5?? 3 Qh4, but the king can escape by 1 . . . Ke4 or by 2 . . . Kh3.

Solution Page XXI

Leonard Barden

Present and correct

***Heather Farmbrough** on classic toys for toddlers*

CARE BEARS and Mutant Turtles may come – and will almost certainly go – but wooden trains, musical boxes, teddy bears and dolls' houses have been, and will be, nursery classics.

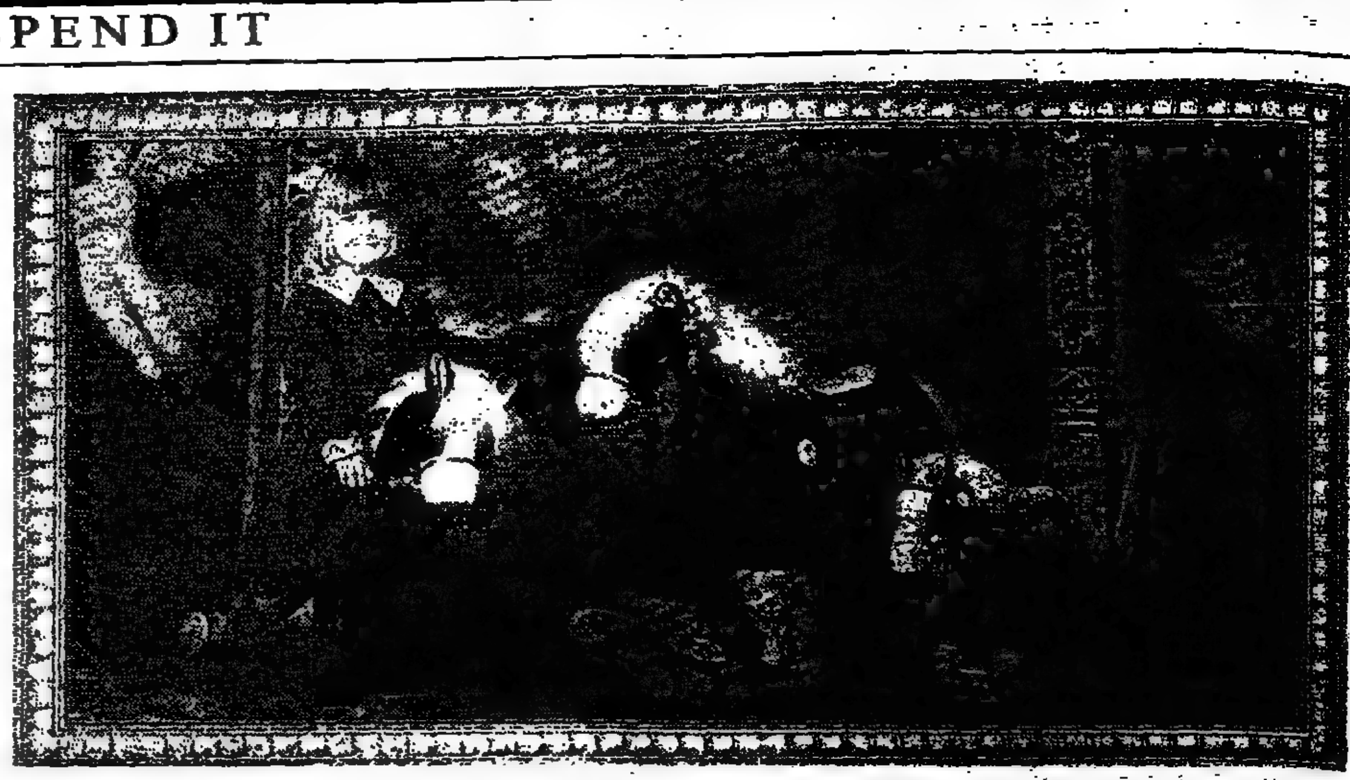
Classic toys are not only easier on parents' eyes and ears than many of today's garish plastic inventions, but the best of them are well-made and long-lasting.

Both babies and parents would be grateful for a music box or music mobile, providing it plays a tune parents can bear to listen to several times a night, every night of the year. My daughter loves her Japanese music box with dancing clown which lulls her to sleep every night. Priced at £17, it came from The London Fieldhouse (89 Wandsworth Bridge Road, London SW6. Tel: 071-736-7547) which has an excellent selection of music boxes and mobiles starting at £3.99. Other favourites are Father Christmas and wooden teddy bear mobiles and a Little Grey Rabbit music box with drawer (£26.45).

Those who want to invest in something older and more authentic could try antique musical boxes. Sotheby's is auctioning a burr walnut and kingwood Swiss bonheur de jour musical box (circa 1880), on a mounted matching table, for an estimated price between £5,000 and £7,000 on December 18 at its Sussex auction house (Summer's Place, Billingshurst, West Sussex 0403-783-933).

Another good toy for babies and small toddlers is a posting box. Variations include Postman Pat vans and tipper trucks, but one of the sturdiest and simplest is the Early Learning Centre's wooden posting box and shapes (£8.99, ref 1000) from all ELC shops.

A bear that you'll care for: Steiff replica, Hamleys £55.99



A dark brown rocking horse by Merrythought, £190 from Harrods

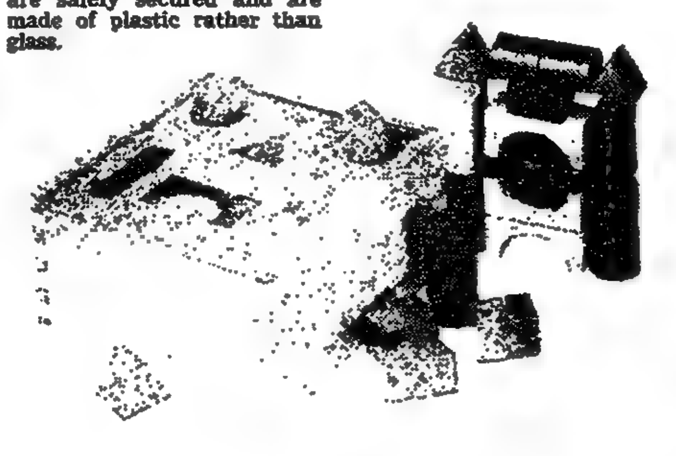
Dream doll's house: available in kits from Tridias! at £175

One of my favourite toys was my wooden pusher trolley. They are ideal for toddlers learning to walk, particularly if one finds a sturdy wooden frame on thick stable wheels. Older toddlers enjoy pushing siblings or dolls around in the trolley. There are several models, but I prefer the Early Learning Centre wooden toddle truck (£11.99, ref 1219) which has an accompanying set of 24 wooden bricks (£5.99, ref 1223).

No childhood should be without the comfort of a teddy bear. Most of us maltreat ours, but teddy bears can be big business. The record price for a bear is £55,000, but Sotheby's recently auctioned a German bear, made in 1906, for £4,400.

Hamley Steiff teddy replica of a 1936 bear, with grey-brown mohair wool, sells for £220. I prefer something a little less canine-looking and like the replica of a 1909 Steiff bear with washable mohair (Hamleys, £55.99) or Merrythought's 13-inch tall honey-coloured mohair bear, with growl (£29.99).

There are bears which cost less, but make sure that eyes are safely secured and are made of plastic rather than glass.



Wooden posting box and shapes from ELC shops, £8.99

For children who like dolls, perhaps the prettiest are the Götz soft-bodied dolls, with washable bodies and blond hair. A 16½ in doll costs £27.95 (ref H668) from Harrod's Toy Kingdom. The current craze among two-year-olds in West London is for life-like, bald, "newborn baby" dolls. It would be a truly altruistic act to give one of these to your infant. A favourite is the ZAPS newborn baby doll (£22.99, Tridias) which comes in PVC so it can be bathed.

Dolls' houses have long appealed to children and adults. Some excellent dolls' house kits mean that grandpa can build a good plywood doll's house for considerably less than a ready-made model. Tridias! shops stock some attractive Georgian and Palladian dolls' houses and kits. The town house kit has six rooms around a central staircase with a hinged front door and Georgian-style windows and costs £175. To buy the finished house in the shop costs £345. Other finished wooden models cost roughly between £250 and £400.

Second-hand and antique houses can be found at auction rooms, with prices depending on age and condition. Sotheby's Sussex rooms will be auctioning a late-19th century wooden house with bungalow, at an estimated price of £200 to £300, which suggests it may not be in top condition.

Another favourite is the rocking horse. An exquisitely made Stevenson horse (Tridias, £1,590) in mahogany would look superb standing in any window. But if Stevenson's horses are too expensive, the antique market in older horses is active. Prices also come right down to around £50 in high street shops, but a good alternative, especially for younger children, is a rocking chair on a horse's back, with a sturdy wooden seat (Tridias, £19.90).

A must for small boys from two-year-olds upwards – and their fathers – is a Brio train set. These are well-made, long-lasting and easy to use. A good start is Set B (£19.95) from the Early Learning Centre, perhaps with a tipping truck train (£6.99). Popular accessories are bridges and turntables.

Most little boys love cars and buses from the moment they can crawl. The Early Learning Centre has a good range of sturdy, safe vehicles for under twos. For slightly older children Corgi cars, taxis (£5.50) and buses (£5.50 Hamleys) are excellent. Hamleys also sells replicas of old brass models by Mamod (£99 upwards).

Sotheby's is holding an auction of pedal cars and children's dolls and toys on December 10 in Billingshurst.

Tridias! shops: South Kensington 071-584-2330; Dartington 0803-863-957; Richmond 081-948-3459; and Bath 0225-314-730. The China Doll, 0225-465-849. Hamleys, Regent Street, London 071-734-3161.

BRIDGE

THIS HAND comes from *First Principles of Card Play* by Paul Marston, published by Faber at £4.99. The author discusses simple, uncomplicated hands, and explains clearly how to solve problems which arise. Study this spade contract:

W	N	E
	♠ K Q 8 7	
	♥ K Q J 5 2	
	♦ A 8 5	
	♣ 5	
♠ 4		♠ J 10 9 5
♥ 9 4		♥ A 8 7
♦ Q J 10 6 3		♦ 4 2
♣ A Q 10 9 8		♣ K 7 4 2
	S	
	♠ A 6 3 2	
	♥ 10 6 3	
	♦ K 9 7	
	♣ J 6 3	

North deals at love all, and opens with one heart, South replies with one spade, and North's four spades concludes the auction. West leads the diamond queen. How should South proceed? Win the diamond queen with the king. Why? You should keep an entry in the hand containing the suit you must establish. You seem to have only three losers, so you prepare to draw the trumps. You lead a spade to the queen, and return to your ace. On this trick West discards the nine of clubs – a change of plan is needed. Another round of trumps would be fatal. You must first dislodge the heart ace – so play the 10.

East wins, and leads the two of clubs. West wins with the eight, and continues with the ace – there is nothing better. You ruff with the eight of spades in dummy, and cash the king. Now you cash ace and king of hearts, and East follows twice. No more problems. You continue with the heart knave, East ruffs it, and you discard your losing club. You can ruff a club return in your hand, and claim your contract.

You have made three spades, four hearts, two diamonds, and one club ruff.

We turn to advanced play, and study this hand form *Test Your Defensive Play* by Hugh Kelsey (Gollancz, £3.95):

W	N	E
	♠ A K 9 6 3	
	♥ 10 4	
	♦ Q J 6 4	
	♣ Q 2	
♠ J 10 5 4		♠ Q 8 7 2
♥ –		♥ A 9 8 3
♦ K 10 9 5 3		♦ 2
♣ A K 6 4		♣ J 10 9 8
	S	
	♠ -	
	♥ K Q J 7 6 5 2	
	♦ A 8 7	
	♣ 7 5 3	

With neither side vulnerable South deals and bids one heart, West doubles, North says one spade, East doubles, South rebids three hearts, and North raises to four.

West leads the ace of clubs, on which his partner East drops the knave, to show four cards in the suit. West considers the position. There are two club tricks, and East will probably hold a high heart, but where is a fourth defensive trick to be found?

East's double of one spade marks the declarer with a void in that suit. South's shape seems to be 0-7-3-3. The diamond king will never score a trick – West's only hope is that his partner can make a diamond ruff and a heart trick. But if West leads a low diamond, dummy wins, and the ace and king of spades will let South discard two club losers.

Suddenly light dawns. West switches to the king of diamonds. South wins, but is cut off from dummy. He leads a trump to the 10. The ace wins, and East leads back a club to the king, and West returns a diamond for East to ruff. That seals declarer's fate.

E P C Cotter

Putting on the glitz – but at a price

Lucia van der Post on clothes for the party season

IT IS party-time and the matter of what to wear to grace the festive season is beginning to exercise the hearts and purses of those whose chimney pieces are bedecked with stiff white cards.

Though at first sight a new dress looks as if it might be the quickest way to Carey Street – these days designer clothes are strictly for the platinum card set – there are ways of putting together a glamour look without spending a fortune.

Base it round leggings which can be bought in any price range: from £22.50 in Marks & Spencer (some smashing ones in a black jacquard print at £35 are on sale now in the Marble Arch branch) to much, much more in the designer rooms.

With the leggings as a base, you can don several different looks. You can wear them with a body, add floaty shirts, wear a glitzy evening jacket over a tiny camisole top or a glittery over-sized evening sweater.

Warehouse, always a friend to the poor or thrifty, also offers the very latest look at very kind prices. Stretchy nylon ski-pants in red or black cost just £34.99. To go over them and flatter even the plumpest thighs there is a floaty shoe string tunic in softest grey satin, also for £34.99, and over THAT can be worn a sheer chiffon fluttery grey shirt, £39.99.

But one of the most sophisticated looks this winter – the sharp and slinky little dress – doesn't come cheap when it is done well. It needs to be beautifully cut and to be made from fine fabrics. There's lots of shiny beading around which doesn't do much for the price tags either.

If you want something really special and one-off there is a growing band of designers who are poised somewhere between a dressmaker and a couturier who will make you the dress of your dreams.

Sasha Hetherington (see below) is one and Isabell Kristensen (at 59a Elgin Crescent, London W1, tel 071-727-2353) is another.

Drawings by Nicolette Elsdell

Aquascutum, 100 Regent Street, London W1 has undergone a face-lift and those who are accustomed to think of it in terms of waterproof coats, checked linings and serious men's suits are in for a surprise. These days you could also walk around the women's floor and not even notice the navy-blue blazers and cashmere coats (although there are, of course, plenty of them) for the more glamorous items that design director Marianne Abrahams has added to the ranges.

Typical of the new additions is this kitch jewel jacket, £489, sketched left, a light-hearted send-up of the serious designer label silk shirts. It has the inestimable advantage, in my view, of being warm, glamorous and fun. Our artist has teamed it with velvet leggings, but it could be worn with a flirty short skirt, long chiffon skirt or wide crêpe trousers. Look out, too, for some wonderful silk scarves from Italy – subtle or jewel-coloured with smooth and velvet finishes and some excellent costume jewellery.

Ralph Lauren is the kind of name that even those who have never worn it have heard a great deal about. Classy, clever but very, very expensive. This Christmas the Ralph Lauren fan can strut about in military-style with one of several jackets on a brassy theme.

The one sketched here, above left, has a halter-neck, comes in red, with gold trim, only and costs £885. The full black silk trousers (£600) could be worn with any of the other military-style jackets or with a bustier or many of the other staples that most of us have lurking in our wardrobes. If dressing up guardsman style isn't for you Ralph Lauren has the ultimate little black dress in silk at £900.

Sasha Hetherington, 289 King's Road, London SW3 (071-351-0880) is dresssmaker to a wide circle of her friends for whom she provides the sort of clothes that fit the lives these ladies lead – beautifully tailored day suits for lunching, attending speech days, going to Ascot, bridal gowns in which to float down the aisle to plight their troth to the right sort of chap and fairy-tale evening wear, romantic and exotic. Besides designing special one-offs from scratch she also has a ready-to-wear range which she is happy to make to order. She uses silks and brocades as well as soft floating chiffon or silk net. She often decorates her dresses with hand bead work, lace and jewels and uses clutches of delicate hand-made roses. Sketched above right is an empire-style dress in shot crushed velvet and silk chiffon with hand-made roses, £495. It can be ordered in a gold, rust, green and black.

Above far right is another dress by Sasha Hetherington. This is the kind of number that makes it worth thinking up a grand exit line (though it would be hard to beat Frank Sinatra's parting words to Ava Gardner after one of their mammoth bust-ups – "And if you want to know where I'm going I'll be in Las Vegas making love to Lana Turner"). Like all of Sasha Hetherington's designs it can be made in any size or colour-way. In green shot with red crushed velvet it has a low back outlined in pearls and gemstones and embellished with a huge red Thai silk bow it costs £395. Also available in black, lilac, green and purple.

Lolita Lempicka is a sassy French designer who knows how to give a dress that elusive thing called allure. Her interpretation of the little black dress sketched above (the smaller sketch) is a perfect example of the current clingy mood, but it costs the same as it cost to put central heating in our four-storey house (admittedly some years back). If you are searching for that elusive thing, the kind of little black dress that will take you everywhere, this is not it. This is the sort of little black dress that, in my view, should only be taken to cocktails, smart dinners or parties. It will almost certainly get you noticed. In black 90% wool with 10% nylon it has shimmering diamanté trim on neck and cuffs and costs £815 (p + p £5) from Harrods of Knightsbridge, London SW1.

FOOD & WINE

A Sussex summer memory

Nicholas Lander delights in the wine list at a unique restaurant

A TOP London chef was describing one of his most enjoyable lunches of the summer. It involved not a trip across the Channel but a 1¼ hour car journey to Sussex; you could do it by train and taxi from Waterloo to Petersfield or Victoria to Chichester.

Arriving at the White Horse Inn at Chilgrove in glorious sunshine, the off-duty chef had given his order to the proprietor, Barry Phillips, without opening the menu. English asparagus, cold lobster with hot new potatoes, followed by English strawberries and cream.

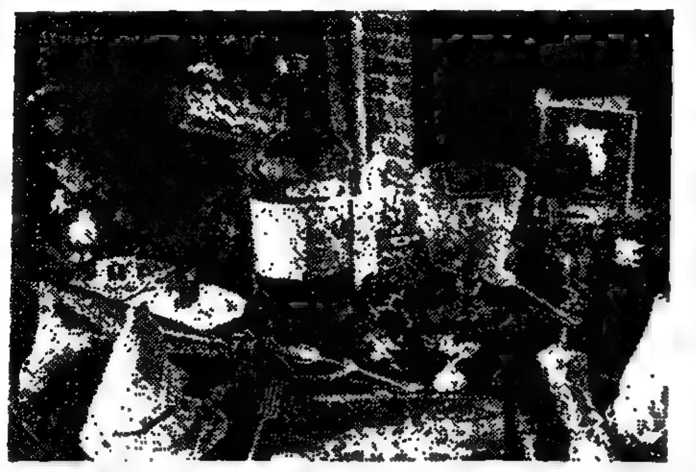
What made the meal memorable was the wine, a tip-top white burgundy, Corton-Charlemagne 1983 from Louis Latour, for which the chef happily paid £85.

He knew it was an awful lot of money for a bottle of wine but he also realised that if he were to buy the same wine at auction for his own restaurant he would have to pay £70. In a restaurant £85 therefore seemed reasonable – particularly as he could feel confident that the wine would be in good condition.

The wine lists (there is an A and an even grander B list) are two very good reasons for a trip to the White Horse. The setting too is lovely, in rolling Sussex countryside, and the food is good and very fairly priced. The building itself is quintessentially English – a long white building with low ceilings and open fires that was originally built as a hostelry in 1765.

But the White Horse also provides an insight into what makes people open restaurants. There is a school of thought that unless you can be polite and friendly to the paying public all the time you should avoid a career in catering.

I do not subscribe to this and believe that one of the extraordinary features of the catering world is that it can attract many, many different people who become passionate about one or more aspects of this particular profession.



A table to tempt even the most jaded palate

Chefs, passionate about their produce and what they can do with the very best, are an obvious example. But in this country there is a long list of those who have started hotels and restaurants out of an equal passion for wine. Paul Henderson at Gidleigh Park, Chagford (06473-2367), Robin Jones at the Croque-en-Bouche at Malvern Wells (0684-56512) and David Brown at La Potinire in Gullane, Scotland (0620-843214) are three who spring to mind.

This passion, which can border on obsession, has its darker side. Chefs, working under pressure in hot, sticky kitchens can easily forget who they are cooking for and may not share the same enthusiasm for a dish they have spent hours preparing as, say, a restaurant critic. At the White Horse, Barry Phillips and his Dutch wife, Dorothea, can show the same disdain. Neither suffer fools gladly and neither would dream of giving anything other than a straight answer however much it might hurt.

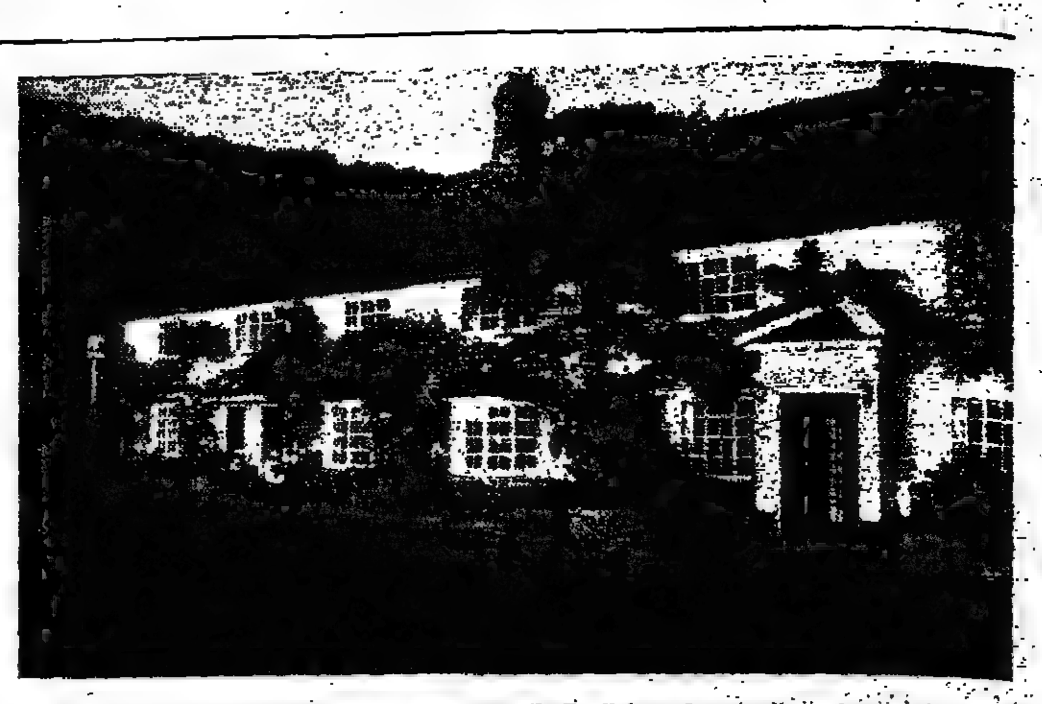
As we pondered the wine lists we were treated to two characteristic examples of their, how shall we say, straightforward approach to customer relations. Dorothea immediately told us that her husband was away shooting – for the third day running. "Just how many pheasant does he think we can sell?" she added. Later, as we pondered whether to order a 1971 red burgundy priced at £58, we asked for advice. "Don't ask me," she said "I can't stand red Burgundy, even Domaine de la Romanée Conti (the most expensive). I am a claret girl, myself." We then proceeded to order the wine and had a memorable lunch.

The passion which the Phillips' and others bring should therefore be enjoyed and taken advantage of, particularly as the combination of well-prepared food and such an extraordinary range of wines could not exist outside Britain.

The wine lists themselves cover 1,796 different bins and a total of 25,000 bottles. They are stored in two different cellars at the restaurant and at cellars in three different private houses close by. The very rarest bottles may therefore not be on the premises and require 24 hours notice, but, as a gesture of supreme confidence, Phillips states that if you choose a wine that is no longer available he will give you a bottle from the next bin with his compliments.

The list's range is stunning and many of the prices seem to defy inflation. After the pages of first-growth clarets comes Château Pavie 1928 and 1929 for £75; pages of red burgundy back to the early 1950's; plenty of white burgundy including seven different vintages of Domaine de la Romanée Conti's Le Montrachet; California Pinot Noirs from the mid-1970's made by Hanzell, not available anywhere else in this country nor even in California; pages and pages of champagne, port and madeira; and while you are trying to make your mind up Phillips also offers 18 different wines by the glass at prices from £1.50.

The wine list is most exceptional, however, in its selection of German wines. A lover of these wines himself, Phillips has realised that only the very best will sell and the list is studded with Beerenauslese and Trockenbeerenauslese back to 1959 – many under £75 a bottle. It is here that Phillips's commercial nose for wine rewards the interested diner.



The White Horse Inn, Chilgrove: a quintessentially English environment

The Phillips moved to the White Horse in 1969 but in 1971 he started his own wine company, the Four Walls Wine Company. With a restaurant licence he can sell by the bottle, with a trading company he can buy and trade and keep the prices in his restaurant down. Last week he had just paid £2,410 for a case of 1989 Maximin Grünhauser Trockenbeerenauslese which he will hold for a few years and see how it develops. Then he will probably sell six bottles at a profit so that he can put the remaining bottles on the list at a reasonable price.

You can afford to experiment with the wine at the White Horse because the food is very professionally looked after. Neil Rusbridger is the head chef, having started as a commis with the Phillips' 20 years ago and he now owns a third of the business. In the bar at lunchtime he offers traditional filling bar food; local dressed crab, £5.95, boiled silverside of beef, £5.95, and braised local hare in a red wine sauce, £6.45.

In the restaurant there is the same no frills approach with a £15 lunchtime menu for three courses and a £20 four-course dinner menu. There are no amuse-gueules, no plates of petits fours and no tablecloths and the bread and coffee could be better. But the quantity and quality of the raw ingredients and the cooked dishes could not be faulted. A very filling wild mushroom pancake or a game salad of duck, pigeon and smoked goose was offered as a first course. Then, from the Sussex coast, brill with a tarragon sauce or grilled Dover sole; what seemed like half an entire ox-tail and mashed potato or a plainly roasted plump pheasant, presumably shot by the proprietor and, finally, a chestnut ice-cream as original as it was delicious.

Our bill was in the ratio of two to one, wine to food. But we left, having eaten well, convinced that even if we had been able to find such wines anywhere else the bill would have been much, much more.

■ White Horse Inn, Chilgrove, Sussex PO18 9HX, Tel 024-359-219. Tuesday to Saturday, 12-2pm, 7-9.30pm, later during Goodwood and the Chichester theatre season. Access, Diners, Visa.

A tasty bite – but watch out for those claws

Giles MacDonogh feels the pinch when he visits a Welsh crayfish farm

THE LITTLE town of Nantua in the Ain Department of France has never figured large in the nation's history. It is a quiet, inaccessible place crouched at the end of a picturesque lake in the foothills of the Alps. Only the most persistent of tourists ever penetrates as far as Nantua. But few Frenchmen are wholly unaware of the name; for the French Nantua means sauce, crayfish sauce.

I made my one and only visit to Nantua a year ago, the course of a gastronomic pilgrimage to the land of Brillat-Savarin, the 19th century gastronomist and author of *Physiolgie du Goût.*

Alighting at one of the town's restaurants I ordered a classic dish of crayfish tails in Nantua sauce. When I had finished I asked the waiter whether the crustaceans had come from the lake. "Oh no sir!" he told me, "there are now so few. These we get from Turkey."

In his classic work on the food of the region, *La Table au Pays de Brillat-Savarin* of 1892, Lucien Tendret was already bemoaning the disappearance of the local crayfish. He attributed the loss to a parasite eel. "There have been vain attempts to repopulate the rivers but . . . (the crayfish) . . . cannot live in them and now when the fishermen pull in their nets all he finds are dried up, empty shells; a miserable testimony to a loss more irreparable than the library of the Cumaean Sibyl."

Leaving Tendret's exaggeration aside, it was with some excitement that I learned that crayfish were being farmed in Britain, and as close to home as the Welsh Marches. With a day in hand I decided to visit the farm.

John and Heather Lowder have now been farming crayfish for eight or nine years; ever since he retired from the property business and she from journalism. They got the idea 20 years ago when they read a newspaper article on the Signal crayfish.

The North American Signal gets its name from the white splodges on its claws.It has so far proved resistant to the plagues which have decimated the four French and one native British breed. Of course the decline of the French crayfish has not been helped by over-fishing. In Britain this has not been a problem: ordinary country folk rarely touched these diabolical fresh-water lobsters.

A Signal can live for up to seven years and can grow to the size of a small lobster. Crayfish of this size, however, are fairly tasteless, the optimum length being around 4 in. The Signal is edible after two years when its flesh is generally preferred to that of the native European crayfish.

To prove his point John Lowder cites the price difference: Signals fetch £6 per lb to the trade; Europeans a meagre £2.50.

At present there are about 50 crayfish farmers in this country, producing about 10 tonnes of crayfish a year. Half of this is sold to restaurants. Most restaurateurs insist on live fish as the flavour is generally better. The Lowders, however, have not been content to limit themselves to restaurant supply: a few weeks ago they launched Crayfish Royale, the "essence of about a pound of crayfish mixed with Bodenham wine, from Herefordshire, and Cognac." The relish is made up for them at Ruthin, in North Wales. Each 6oz pot takes about two hours to produce.

John Lowder took me out to the ponds to meet the crayfish. "It's a pity you've come so late in the season," he told me, "you've missed our friend."

The friend, it transpired, was a large buzzard who had abandoned hunting for the easier quarry contained in the Lowders' ponds. "Found himself a take-away," says Lowder good-naturedly. He had not even objected when the buzzard brought along his family; only when he had taught the local magpies to steal.

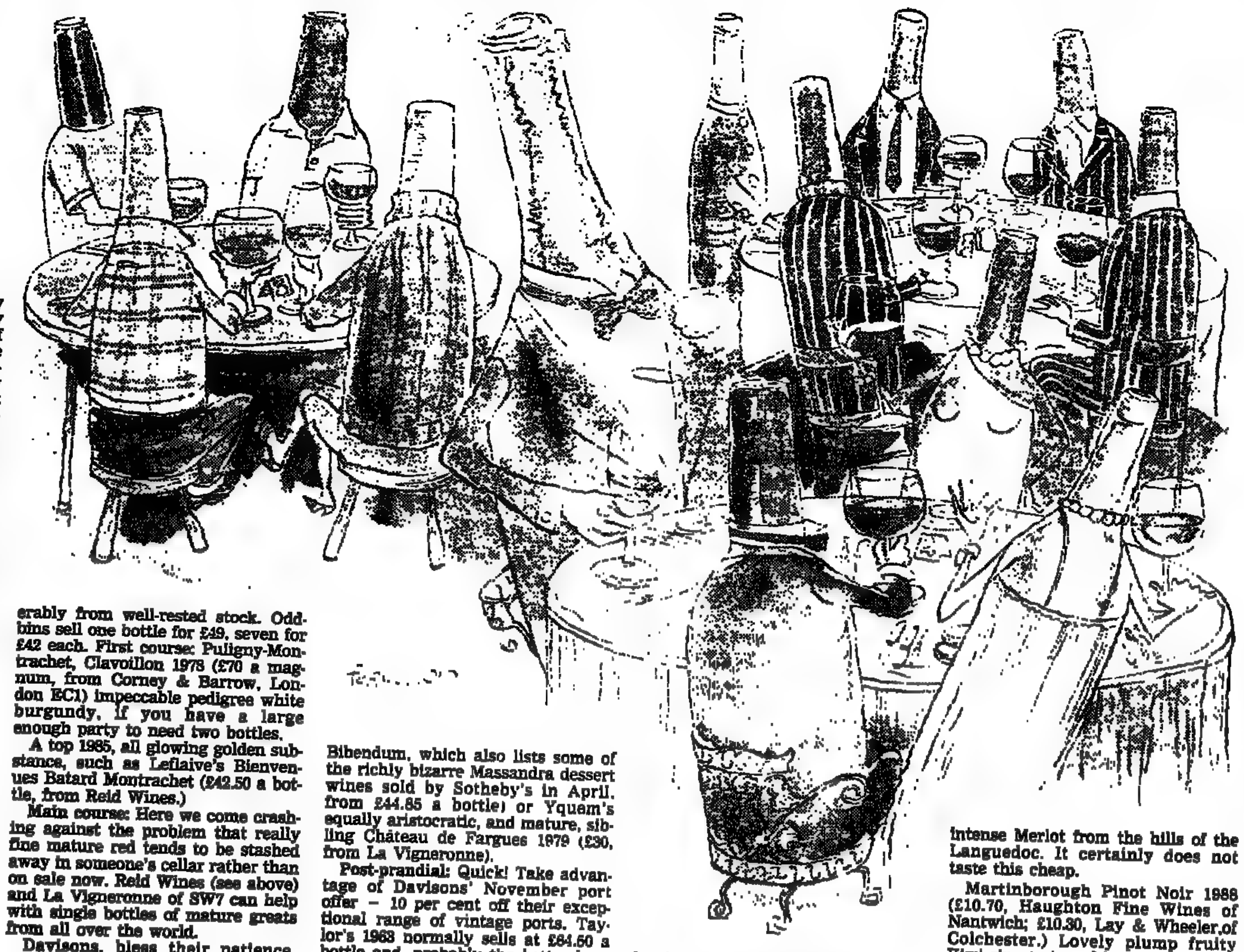
The crayfish season runs from late June to October, so that the few crustaceans we were able to glean from the pots were already turning from dark brown to black, betokening poor flavour. They were spirited little beasts: one gave me a sharp pinch with its claw.

I returned to London much encouraged. Maybe, one day, I thought, Wales will be supplying crayfish for Nantua's restaurants.

■ *Crayfish Royale is available in handmade earthenware pots from Patridges, of Sloane Street, London, Harrods and Selfridges. Cost: between £60 and £85.*

How to plan a perfect evening

Jancis Robinson on what to quaff at the table — now that dinner parties are passé



THE TROUBLE with specialist writers is that what we find most thrilling to write about is not always what readers find most useful to read about.

We need a new car. I was just cursing motoring correspondents,for the way they seem to ignore the interests of family saloon drivers in favour of Riviera test drives of luxury limited editions, when I realised that exactly the same criticism could be levelled at me by the average wine drinker.

I find myself all too easily lured by the excitement of a new technique in the vineyard, or the details of a promising new wine producer, when I should be concentrating on what the typical reader wants to know: "Tasted any good buys lately?"

With that in mind, on the Saturday before Christmas, I will provide a round-up of what seem to be the most worthwhile last-minute buys from the chains and supermarkets. But today's column is designed for those who agree that the best way to spend winter evenings is clustered around a table with good friends and good bottles — or less good friends and, sometimes, such is the way of the world, even better bottles.

Different sorts of guests call for different styles and price levels of wine, in no very direct relationship, but here are some warmly recommended suggestions for some stereotypical evenings (heaven forbid that what takes place around our tables are what used to be known as dinner parties).

The not-very-close but potentially very important business associate comes to dinner.

You need to impress — but with your sophisticated level of savoir faire, rather than sheer cash, in these straitened times.

Aperitif: It still (just) has to be champagne, despite the price rises. Dom Ruinart Blanc de Blancs 1982 (£27.50, from Hungerford Wine, of Hungerford, Berks) would show that you know which house is performing well at the moment but would also demonstrate your ability to spot a bargain. Ditto Heidsieck Monopole's Diamant Bleu 1982 (£29.99, from Oddbins) although you might feel constrained by the revolting bottle (a talking point . . ?).

First course: Nothing flash. Rully La Chaume 1988, Jacques Dury (£8.70, from Justerini & Brooks, of London, SW1, and Edinburgh). The best 1988s from the Côte Chalonnaise, to the south of Burgundy proper, are stunning at the moment — clean, classic yet opulent. Or Chablis Premier Cru Vaulignot 1988, Dauvissat (£9.95, from bigger outlets of Sainsbury's), a truly exciting, nervy white that shimmers in the glass.

Main course: Clos du Marquis 1986 (£9.75, Davisons shops around London). Classic claret, the second wine of second growth St Julien over-achiever Château Léoville-Las-Cases, only just ready to drink, superb concentration and balance.

Cheese: Château de Beaucastel 1981, Châteauneuf-du-Pape (£14.30, Adnams of Southwold, £16, Reid Wines of Hallatrow, near Bristol. Tel: 0761-52645. £16.22 Haughton Fine Wines of Nantwich, £16.25 Winecellars of Wandsworth). Any vintage of Beaucastel, or even its little sister from the Côtes-du-Rhône Coudoulet de Beaucastel (from £6 from the likes of Oddbins, Justerini & Brooks, Lay & Wheeler of Colchester and Adnams) is worth buying but this mature 1981 is a stunningly heady, spicy marvel.

Sweet: Probably nothing; demonstrate your restraint.

Post-prandial: Offer, rather than press, Warre's Quinta da Cavadinha 1979 (£14.99 Oddbins, £14.79 Thresher) a plummy rich single quinta port that will taste just as good at Christmas.

Nothing but the best . . .

There are many reasons for serving the finest wines you can lay your hands on. It is just the laying on of hands on retail shelves and lists that can pose the problem — other than the expense.

Aperitif: Krug Grande Cuvée, preferably from well-rested stock. Oddbins sell one bottle for £49, seven for £42 each. **First course:** Puligny-Montrachet, Clavoillon 1978 (£70 a magnum, from Corney & Barrow, London EC1) impeccable pedigree white burgundy, if you have a large enough party to need two bottles.

A top 1985, all glowing golden substance, such as Leflaive's Bienvenues Batard Montrachet (£42.50 a bottle, from Reid Wines.)

Main course: Here we come crashing against the problem that really fine mature red tends to be stashed away in someone's cellar rather than on sale now. Reid Wines (see above) and La Vigneronne of SW7 can help with single bottles of mature greats from all over the world.

Davisons, bless their patience, have the gorgeous first growth Château Cheval Blanc 1970 at £115 a bottle, but really good red burgundy is rarer and therefore more of a treat than its counterpart from Bordeaux (about which I plan to be writing in a fortnight). The best 1978s are perfection now, as are really, really good 1982s such as Romanée-Conti's and Henri Jayer's. Bibendum of NW1 have some fine 1980s.

Cheese and Sweet: You can progress backwards in time in the same region from the main course wine or, provided your guests are open-minded,you could serve a really good Sauternes over both these courses. Very sweet wines tend to stand up to the powerful flavours of cheese much better than most reds. How about the exceptionally well-preserved Château Gilette 1947 (£95.84, I kid you not, from Bibendum, which also lists some of the richly bizarre Massandra dessert wines sold by Sotheby's in April, from £44.85 a bottle) or Yquem's equally aristocratic, and mature, sibling Château de Fargues 1979 (£30, from La Vigneronne).

Post-prandial: Quick! Take advantage of Davisons' November port offer — 10 per cent off their exceptional range of vintage ports. Taylor's 1963 normally sells at £64.50 a bottle and, probably the better buy, Dow's 1966 at £33 from their branches, from where it may have to be ordered in advance.

Good friends, interested in wine

Now you can have some fun, and need not be stifled by convention. If you serve these from a decanter or well-masked bottle, they would have great difficulty in placing or, in the case of the clarets, dating them.

Aperitif: Terre di Ginestra 1989 (£4.49, from Oddbins.) A fragrant but dry white that no-one would place in Sicily without prior knowledge of this estate-bottled wonder made from Cataratto grapes grown at high altitude. Could easily be served with food.

Riesling Grand Cru Brand 1987, Turckheim Co-op (on special offer at £4.99 from Wine Rack.) Far too cheap for an already-evolved fine, dry, steely Alsace Riesling that would be lovely with smoked salmon.

First course: Pinot Blanc 1989, St Helena (£6.30 Lay & Wheeler,of Colchester.) Great cool climate tingle yet lovely opulent fruit from this great New Zealand vintage.

Chardonnay Reserve 1986 or 1987, Robert Mondavi (1986 £15.90, Justerini & Brooks; 1987 £15.50, Les Amis du Vin, of Chiltern Street, W1.) One of California's most interesting Chardonnays — the complexity of white burgundy without the faults. Delicate. A tightrope wine and a treat for anyone in the above two categories too. Cervaro della Sala 1987, Antinori (£17.79, Winecellars of Wandsworth.) I took it for a very fine Puligny-Montrachet the other day but the elegant Chardonnay is enriched by local Umbrian grapes.

Main course: Domaine de Limbardie 1989 (£3.33 Davisons, £3.20-3.50 Adnams.) Extra juicy, dark and intense Merlot from the hills of the Languedoc. It certainly does not taste this cheap.

Martinborough Pinot Noir 1988 (£10.70, Haughton Fine Wines of Nantwich; £10.30, Lay & Wheeler,of Colchester.) Lovely plump fruity Kiwi riposte to red burgundy. Softer than the 1989.

Main/Cheese: Les Fiefs de Lagrange 1987 (£5.99, Wine Rack special offer.) I was extemely sceptical about the wisdom of buying a second wine from such a light vintage but this sophisticated but ready-to-drink bargain from the transformed St Julien Château Lagrange dissolved my doubts. Clos du Clocher 1987 (£11.50, Bibendum, NW1.) A much more serious 1987 from Pomerol. Serving temperature is critical. It should be very, very slightly cooler than normal as it is soft but its deliciously plummy bouquet can easily be lost in a warm room.

Sweet/Post prandial: Vouvray Moelleux 1989, Domaine de la Mabillière (£4.99, Thresher and Wine Rack). Easy, sweet, white Loire.

Gluggers and almost-abstainers: Watch this space.

APPETISER

TASTE AND flavours, fortunately, recognise no international frontiers and, over the past 20 years, even Fortress England has enjoyed new culinary experiences - from croissants for breakfast to Chinese cooking lessons on television at night.

However, breakfast has been slow to acknowledge these changes. Even the most experienced Western traveller can look askance at Chinese congee while just the thought of bacon and eggs at 7am can convince many other Europeans that cooking in this country has not progressed very far at all.

Possibly under the American insistence on "power breakfasts" this is beginning to change. Some of the major London hotels are now broadening their breakfast menus to attract businessmen and tourists. As the dollar weakens attention has turned to the Japanese market.

The Britannia Inter-Continental, in Grosvenor Square, London (Tel: 071-629 9400) has been offering a breakfast buffet with Japanese specialities for some time. For £10.95 you can help yourself to miso soup, breakfast rice, fermented soya bean, seaweed, shredded spring onion, raw eggs, two kinds of plums (salted and half dried) and two kinds of pickled radish (yellow and brown).

According to Martin Hollyer, the head chef, this has proved extremely popular, but curiosity about the Great British Breakfast has not prevented some Japanese from moving on, after their customary breakfast, to kippers or bacon and eggs as well.

The Britannia was joined in May 1990 by its sister hotel the Inter-Continental Hyde Park (071-409-3131) which offers a similar Japanese breakfast at £15.50 in the coffee house and £16.50 in your (hotel) bedroom. The Grosvenor House, flagship of the Trusthouse Forte empire on Park Lane, has introduced a Japanese breakfast, priced at £15, available in both its Pavilion restaurant and by room service.

The hotel intends to offer it with the correct accoutrements: lacquer trays, china bowls and wooden chopsticks. Considerably cheaper than even a Virgin ticket to Tokyo.

Lunch – the high point of the day

If you should go to St Moritz for the food, rather than the skiing, you will not be disappointed, says ***Arnold Wilson***

THERE ARE moments during a good day's skiing when you feel an uncontrollable urge to smile. The smile is usually the result of the mixture of joy and smugness that you get from cruising fast and rather stylishly through perfect snow on your way to an extravagant lunch in one of the world's best resorts – and someone else is paying.

The last time I was invited to sample the delights of the Marmite Restaurant at Corviglia, high above St Moritz, I was too busy playing childish games: trying unsuccessfully to get a silver badge in a WISBI (*Wie Schnell Bin Ich* – How Fast Am I?) race. Some hours later, all thoughts of further skiing abandoned, my colleagues came stumbling and blinking into the late afternoon sunshine, after the best lunch they said they had ever eaten in the mountains.

Correction: the best lunch ever. Sweatily clutching my absurd little bronze medal, which I managed to lose even before returning home, I felt I had made the wrong decision to keep skiing, and resolved that next time I had the chance of visiting the Marmite I would grab it with open jaws.

The Marmite is a strange place. The food – dominated by large tins of caviar, huge silver dishes packed with truffles and the most exotic puddings imaginable, served by white-coated and white-hatted chefs – is perhaps the finest you will find in the Alps, even though the building has as much charm as a 1960's Chelmsford cafeteria.

You can tuck into anything from carpaccio with white truffles and truffle toast, brioche covered with black truffles and a sauce of cream and Sauternes, baked potatoes deluged with caviar and cream, salads of black truffles, Bel Paese cheese with a dressing of egg yolk and Savora mustard, duck liver with rose pepper and paprika splashed with Cognac, fresh scallops from Ireland, salmon and turbot from Scandinavia, English lamb, vacuum-packed strip steaks from Long Island or even a Cresta Rider club sandwich (a combination of cream, mushrooms, tomato, egg, bacon and fried onions). So who gives a fig about what the restaurant looks like? It is simply one of the places in St Moritz that has to be visited, by skiers and non-skiers alike, along with Hanselmann's pastry shop, the Chesa Veglia restaurant and the Palace Hotel.

The Marmite is so popular that sometimes you have to wait an hour to be served, even if you are a millionaire. "We do not treat the millionaires any differently from anyone else," Hartley Mathis, owner and chef, is often quoted as saying. In truth, millionaires are treated like anyone else: very well. There are truffle shavings everywhere. The *New York Times* once reported that this gave the floor of the restaurant the appearance of a carpenter's shop.

This time, in spite of Mathis's obliging nature and the excellence of the food, we were determined not to use this as an excuse to write off an afternoon's skiing. After all the doom and gloom voiced about European skiing here we were in March in a splendid resort with perfectly good snow. And you can eat at any time.

St Moritz has skiing all over the place. Corviglia just happens to be the easiest area to get to, one of the easiest areas to ski and probably the sunniest. You can cruise around all day here, taking the odd ride up to Piz Nair (3057 metres) when the mood takes you for the occasional hurtling run into the Suvretta Valley or down to Marguns.

Corviglia, with its wide-open slopes, is fine for a couple of days, or even a week if you just want to relax and drift around on skis, but it is a pity not to experience the other areas, too. Corvatsch beckons from across the valley. But you might as well accept that you are going to have to queue. Sometimes the waiting can be grim. Mercifully, they have now introduced the same system that is used at the bottom station of St Anton's infamous Valluga lift, in which you have a number marked on your skis which eventually appears on an electronic board. This enables you to go and have a coffee without missing your place.

There is a lot of good above-the-tree-line skiing spread between Corviglia and Furtschellas, above Sils Maria, and the view from the top across the glaciers of Piz Bernina is glorious.

If you want to get into the trees, the long Hahnensee run down to St Moritz Bad is wonderful in good conditions. But perhaps the finest skiing in St Moritz involves taking a 45-minute journey by bus or train to Lagalb and the Diavolezza Glacier close to St Moritz's picturesque neighbouring village of Pontresina. The black run at Lagalb is a classic – long, sometimes with huge moguls, but on a few delectable occasions awash with deep powder. The ski lifts at St Moritz open next week.

The scenery around Diavolezza, best viewed at your leisure from the sun terrace at the restaurant, is among the most breathtaking in Switzerland. From here you can take a delightful run to the bottom of the cable-car – there is an excellent off-piste variant – or try the scenically gorgeous, but technically rather dull, run down the glacier all the way to Morteratsch.

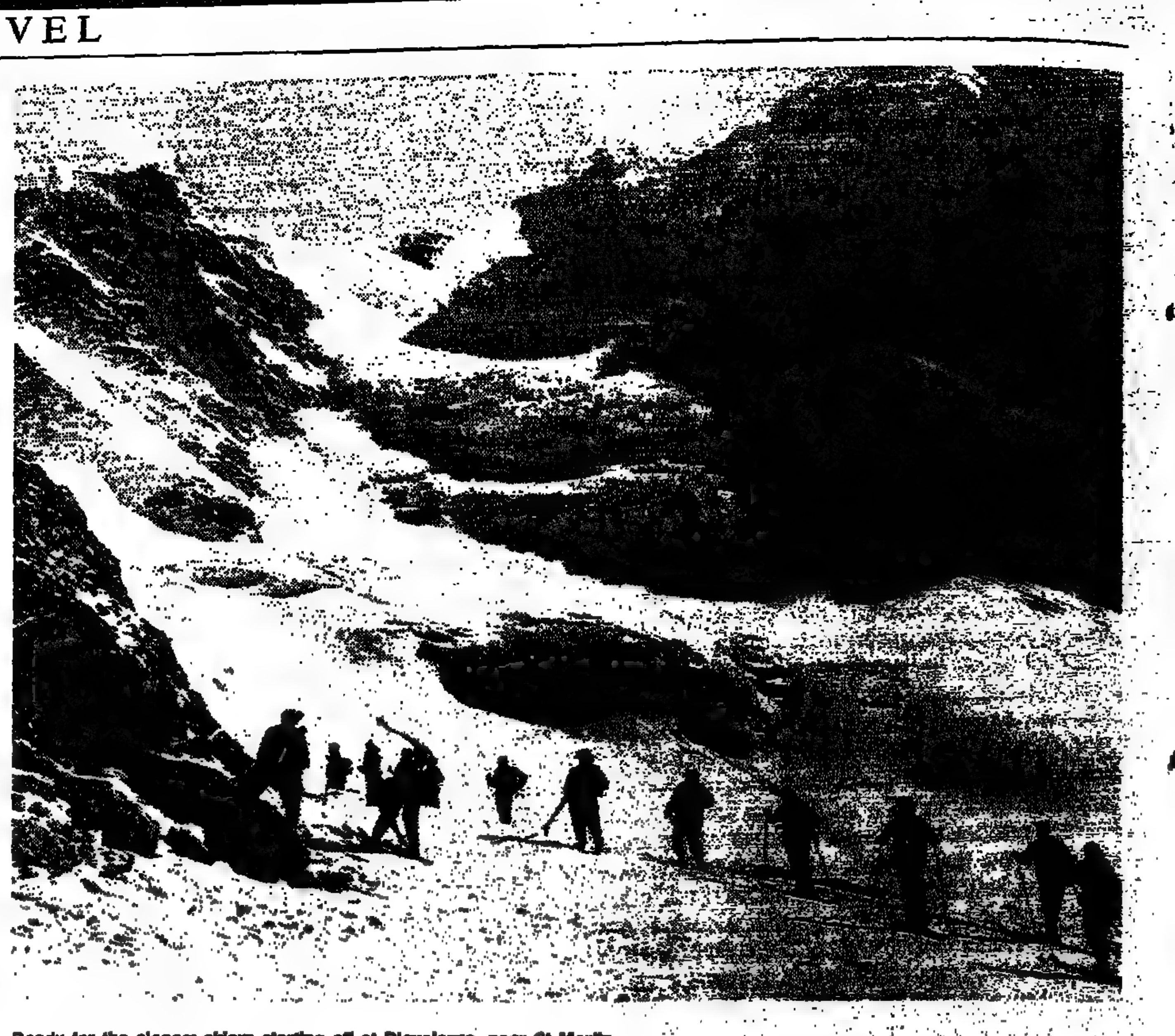
St Moritz was a winter sports resort long before skiing became fashionable, and to this day there are many alternatives to skiing. If instructor-assisted hang-gliding on thermals high above the tiled rooftops does not interest you, and you do not fancy being alone on the dreaded Cresta, you could sandwich yourself between experienced toboggan experts and try the four-man bob down to Celerina.

No matter how calm you try to feel at the start, and how casually you cope with the first couple of bends, the G-forces that you are exposed to as you lurch round the sharpest curves make you feel relieved when your mad roller-coaster ride runs out of gravitational steam.

Next year, from January 27 to February 3, St Moritz will be holding its first British week which will include the polo world cup finals, which will take place on a frozen lake and a cricket tournament.

No stay in St Moritz would be complete without dinner at the luxurious and turreted Palace Hotel, even if you have to pawn your lift pass to pay for it. St Moritz is not cheap, and of course you do not have to eat at the Palace. St Moritz is not the most expensive resort in Switzerland either. Gstaad and Crans Montana will probably make an even bigger dent in your credit cards.

■ Arnold Wilson's visit to St Moritz was arranged by Ski Thomson. Details: Greater London House, Hampstead Rd, London, NW1 7SD. Tel: 081-200-8733.



Ready for the slopes: skiers starting off at Diavolezza, near St Moritz

Not mutant. Not Ninja. Just Turtle

Nicholas Haslam *follows piratical footsteps in a lost corner of Haiti*

I HAD always wanted to visit Turtle Island. Discovered by Columbus in 1492 off the north coast of the island he named Hispaniola, it had become, in the 16th century, a base for pirates who harried the treasure-laden galleons of the Spanish Main. I had first heard of it in the film *Captain Blood*, in which Errol Flynn swashbuckled his way to riches.

Now at last, after a long hot journey from Haiti's capital, Port au Prince, in a battered old American school bus that served as local transport, the island lay shimmering five miles away across a strait of turquoise sea. It was easy to see why Columbus had called it Isla de Tortuga. The smooth hump-backed hill looked just like the carapace of a swimming turtle in the fierce sun.

Whites are rare in this lost corner of Haiti, and I was surrounded by curious Haitians asking in Creole where I wanted to go. One, speaking French, said: "You don't look like a priest, then you must be a journalist." His name was Jean Nicolas and he was waiting to take a boat across to the island to take up a job as teacher.

We travelled over together in a battered fishing sloop with an immense patched canvas mainsail. Twenty passengers were balanced on the cargo of rice and plantains and the boat heeled alarmingly as a squall swept down the strait. Jean Nicolas told me that the only whites who came to the island these days were missionaries and that I should meet Frère Bruno, who had lived on the island for years. "But you'll have to walk," he said "There's no transport on the island and we're going to land at the opposite end from the priest."

We came ashore in a bay surrounded by reefs. Small pulling boats ferried us to the beach where villagers waited to unload the cargo. Jean Nicolas smiled wryly when I asked for a hotel. "You can sleep tonight in the dispensary," he said.

A path led through the simple village of small huts and shacks and passing villagers greeted me courteously with "Good evening, Father." I stayed in the one-roomed dispensary near the simple Catholic church. That night the village rang with singing and the sound of drums.

"A voodoo ceremony?" I asked Jean Nicholas next morning. "No," he said. "A Baptist mission group." As I set out at sunrise I passed a group led by a tall man in a heavy black suit holding a bible. He eyed me quizzically, but on learning that my visit was strictly secular told me that he had come from the mainland to gather souls. I left them singing their way through the village and climbed the steep path that led to the crest of the island.

No one knew exactly how far it was to Father Bruno's house. Estimates ranged between two and 10 hours' walking, and some said I might even get a lift from the Brother in his "machine" when I reached the Route National.

After an hour's hard climbing I reached a track that ran along the ridge. This was the only road on the island, built at the instigation of Father Bruno three years before. It followed the crest with views of the windward channel that lies between Haiti and Cuba.

Columbus had first landed on the mainland just opposite where I now stood and received a warm welcome from the Taino Indians, the original occupants. Their joy was shortlived. Forced labour in Spanish gold mines and on plantations had reduced the Indian population from 150,000 to 30,000 within 30 years.

I walked briskly along the track. It was 8am but the sun was already uncomfortably hot. Islanders greeted me with a casual "Bonjour blanc," and some begged for money or food, miming hunger by pointing at their stomachs. In one village a gang of 20 or so labouring on the road hailed me as I strode through: "Stop and greet us white man. We are black and you are white but we are brothers." They asked me where I was from and then invited me to buy them all a drink at the village shop. I politely declined.

At noon, after five hours, I reached a village that looked more prosperous. There was the rumble of a diesel generator and two solar-powered street lights marked "A gift from the people of France" in the main square. A small boy was detailed to show me to Father Bruno's house, which stood in a compound on a small knoll overlooking the strait. He led me to the door but would go no further. "There are fierce dogs," he whispered, and fled.

I knocked. Father Bruno was a spry, lean man in his 60's. His two scrawny mongrels sniffed at my shins and wagged their tails. "They don't like Haitians," he said with a smile, "despite what I say to them." We sat on his terrace and I marvelled at the view and my first cold beer for three days.

He was a lay brother of the De La Salle Foundation from Quebec, dedicated to educating the poor, and had been on Turtle Island for 13 years. He told me that until the late Forties the island had been a leper colony and refuge for those in trouble with the law. A French Catholic priest had arrived in 1947 and found 80 per cent of the population suffering from malnutrition and disease. He

set up a hospital with visiting specialists from the US and Europe which became famous throughout the Caribbean. In the early Sixties Haiti's megalomaniac leader, Papa Doc, became suspicious of the priest's influence and he was expelled.

When Father Bruno arrived in 1977 there were no roads on the island and few schools. "Now," he said with pride, "there are 32 schools, 55 kilometres of road and a People's Co-operative Bank." It had taken him time to gain the islanders' confidence.

Now, most of the projects were run by the islanders themselves, and the bank had a capital of $40,000. "We still need more money," he said. "I spend two months a year fund-raising in Canada, but there is never enough to go round."

I left my bag at the Hotelerie de la Tortue, another brainchild of Fr Bruno, and made my way down the steep track to Basse Terre, the main port of the island. A few fishing sloops lay at anchor in the natural harbour surrounded by reefs. Basse Terre had been fortified by the buccaneers and I was keen to see if any remains could be found.

At the water's edge two cannon lay half immersed by the sea. A small boy, seeing my interest, led me to a shack in a clearing overlooking the reef. Outside the front door lay another immense cannon still pointing out to defend the bay. It was dated 1637, the heyday of the buccaneering era, and three more lay under the palm trees around the clearing.

That evening Father Bruno took me to the ruins of Governor's House, perched on the ridge. It had housed Napoleon's sister, Pauline Bonaparte, who was married to the commander of the punitive mission mounted by the French to quell Haiti's slave rebellion in 1801. The foundations could still be seen although villagers told us that they had taken down three pillars only the year before to use the stone for road building. "Perhaps we could restore it," said Father Bruno. "I want to get tourists over here to bring some money to the island."

Next morning I joined the crowd on the quayside at Basse Terre to travel over to the mainland. Father Bruno was also crossing to organise a shipment of cement for a new school. As the overcrowded sloop sailed out through the reefs of Basse Terre, the skipper collected fares from passengers. One youth protested that he only had American money and would pay on his return. A long argument ensued. Finally, grudgingly, he produced a handful of tattered Haitian money. Father Bruno chuckled. "You've just witnessed one of the most difficult things to do here – to get a Tortugais to part with his money."

■ Nicholas Haslam travelled to Haiti c/o PanAmerican World Airways, which flies to 13 islands in the Caribbean from the UK. There are daily flights to Port au Prince via Miami.

TRAVEL BUSINESS

Just too clean

SWITZERLAND'S reputation for hotel and tourism excellence – many of the world's top hoteliers are Swiss – is in danger of becoming severely tarnished, the Swiss Government was told this week by a UK tourism and leisure consultancy.

"The Swiss image of order and cleanliness is fine as far as it goes, but it can sometimes go too far," says Jonathan Bodlender, chairman of Horwath Consulting, part of the Stoy Hayward accountancy group.

"The danger lies in Switzerland being perceived as a sterile image, rather than one which is warm and welcoming."

Bodlender told the Swiss: "We became aware of hoteliers actually grumbling that they had been forced to provide what the market wanted, and not what they wished to offer." Swiss hoteliers, he added, were more concerned about their costs than marketing.

The Swiss indifference to tourism is reflected in the fact that many ski resorts are idle for two-thirds of the year, wasting facilities and investment. Horwath also recommends the use of snow-making machines in Swiss winter sports resorts.

The Swiss Tourism Office in London is planning a new marketing campaign next spring.

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ABOUT 50 Florida-bound passengers will fly out of Manchester airport today in spite of the collapse of American Airplan earlier this week. The company, which was both a tour operator and travel agent, had developed a niche market over the past 20 years in low-cost flights to the US.

But, surprisingly, just when American holidays are doing better than ever – bookings to Florida are up by 83 per cent on this time last year – the company has folded.

Poor management and marketing are blamed for the collapse, since it only had some 200 forward bookings. Apart from the lucky 50 who will start their Florida holiday as booked today, the rest will get refunds under the bonding scheme operated by the Association of British Travel Agents.

■ ■ ■

CRUISE passengers on Cunard's *Countess* and *Princess* ships cruising the Caribbean or Mediterranean will no longer have to suffer the embarrassment of when, how much, and who to tip on board.

Cunard has decided that British passengers, who make up the bulk of the passengers on these two ships, are often uncertain about the process of tipping and usually end up giving too much. The cruise company believes it is a more attractive package for holidaymakers to know the all-in price to pay when booking a cruise without any hidden extras.

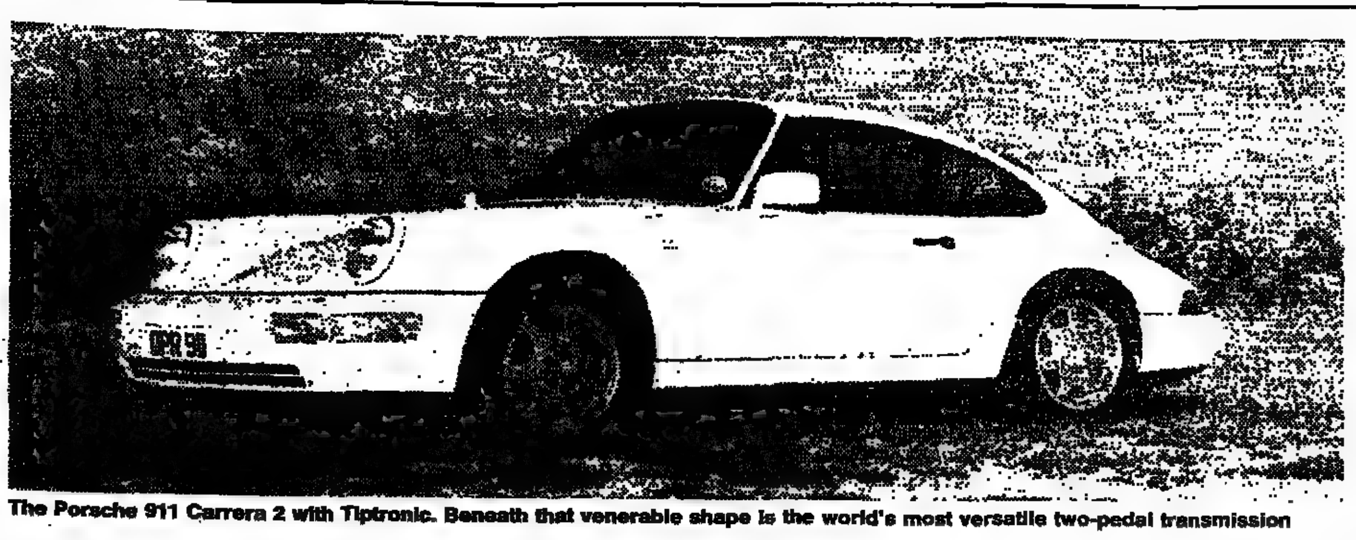
Other cruise operators, however, seem reluctant to follow suit – not only because they have more of a mixture of nationalities who are less bothered by tipping but also because of the knock-on effect on crews' wages.

■ ■ ■

THE 2m or so vegetarians in the UK may be grateful for the publication of the *Vegetarian Travel Guide* by the Vegetarian Society, of Parkdale, Dunham Road, Altrincham, Cheshire, WA14 4QG (£5.50) which lists approved non-meat establishments in both the UK and many overseas countries.

The guide also has ideas for Green activity holidays, gives useful translations when ordering vegetarian food abroad, and offers tips for vegetarians planning to travel by sea or air.

David Churchill


The Porsche 911 Carrera 2 with Tiptronic. Beneath that venerable shape is the world's most versatile two-pedal transmission

The Porsche that is more animate than mechanical

***Stuart Marshall** tries out a super-fast and noisy sports car with Tiptronic transmission as an optional extra*

HONESTLY, I do not believe in doing three-figure speeds on the motorway when no-one is looking and, on country roads, I *am* aware that around every blind bend there could be a manure spreader or a herd of cows.

I love driving my unbelievably economical Citroen XM diesel and I have nothing but contempt for oafs who tailgate me on motorways, squeal tyres in high streets and imagine they are on a grand prix starting grid as they wait for the traffic lights to change.

But of late, one super-fast car after another seems to have come my way. How can I refuse the chance of trying them?

The latest, a Porsche 911 Carrera 2, gave me the same feeling as I used to get when throwing a leg over a lively horse. One knew it was simply bursting with energy and very much on its toes. The 911 seems more animate, really, than mechanical.

Although the suspension is quite soft, the ride is firm to the point of harshness. That is because the very wide Pirelli P700s are designed first and foremost to provide the ultimate in handling and roadholding. So they thump when running over expansion joints on concrete motorways and feel far from shock absorbent when hitting drain covers or potholes. The suspension passes a lot of tyre noise into the car. It is a dull roar, like surf pounding on a beach, changing in intensity according to the texture of the road surface and never going away completely. But the Pirellis grip the road like Velcro fasteners.

The 911 is a true sports car; a car in which it is better to travel than arrive. A driver's, not a passenger's car, with minimal luggage space and a pair of ridiculous rear seats that might just be tolerable for young children but which only an adult contortionist could possibly sit in.

The note of the horizontally-opposed 3.6 litre, 250 horsepower engine is like nothing else; a low speed burble that becomes a windy, rushing sound as the revs rise and ultimately turns into a sort of asthmatic snarl. Power assistance makes the steering light at low speeds without affecting its sharpness and accuracy – or its ability to make a driver aware what kind of surface the front tyres are running on.

Tiptronic 4-speed transmission, an optional extra fitted to my test car, combines the best of both worlds. It can be completely automatic, which makes town and traffic driving relaxing, or manually controlled, with gear changes being made under full power.

All you have to do to go from automatic to manual is move the lever sideways and then push it forward one click to change up, pull it back one click to change down. For reverse, you must revert to automatic mode. A tiny indicator light in the speedometer dial tells you which gear (or in automatic, which range) you are in.

Tiptronic is completely smooth and lets you have as much – or as little – control over gear selection as you wish. I thought it brilliant in concept and flawless in operation. In fact, the best and most versatile transmission in any car today.

The 911 Carrera 2 with Tiptronic has some of the character of a thoroughbred vintage car combined with the benefits of modern technology.

The cabin is as cramped as they were in cars of the 1960s and the fascia is pure chaos. Instruments and minor controls are all over the place and the speedometer segment with figures of 90 mph (145 kmh) and over is obscured by the steering wheel rim. But the rev counter is in full view and as one soon learns that 3,000 rpm in top is 75 mph (121 kmh), I suppose it is of little real importance.


Turbocharging and intercooling makes the Mazda MX-5 sweeter as well as swifter

I have no idea, nor do I care, what its top speed is supposed to be. What counts is its unbreakable traction and lightning acceleration; ultra-rapid pick-up in automatic or manual modes for minimising overtaking times; and the way it goes round curves with the stability of one of those high-tech tilting trains. Except, of course, that the Porsche does not tilt.

In the dry, it would be a difficult car to get into trouble. In the wet, a heavy and insensitive foot on the accelerator when taking a sharp corner in low gear is not recommended. For a 3.6 litre engined car, fuel consumption is moderate. I saw 22.5 mpg (12.5 l/100km) of unleaded (a catalytic converter is standard) over an enjoyable week. I do not think anyone could sensibly contemplate a Porsche 911 Carrera 2 as their only car but as an expensive indulgence (about £50,000 on the road with Tiptronic) it's in the same category as a personal helicopter or a high-speed power boat. If that kind of mad money ever came my way, I would have one. And I do hope that Tiptronic will spread down to less exclusive cars than 911 Carreras – it is so good it deserves a much wider audience.

Should £50,000 be beyond the realms of possibility – and for practically everyone it is – all is not lost. On the day Porsche collected the 911 Carrera 2 Tiptronic, Mazda sent around an MX-5. Not a standard MX-5, but one that had been expertly turbocharged and intercooled, boosting engine output from 114 to 150 horsepower and its torque (pulling power) by 50 per cent.

The conversion by Brodie Brittain Racing raises the price from £14,429 to around £18,130. If you also want special wheels, fatter Dunlop D40 M2 tyres and a limited slip differential, the total is £19,540. Which is still £2,000 cheaper than its only obvious rival, the turbocharged Lotus Elan SE.

On paper, the MX-5 BBR Turbo is good for 130 mph (209 kmh) against the normal model's 121 mph (195 kmh) and is nearly two seconds faster from 0-60 mph (0-96 kmh) at 6.8 instead of 8.75 seconds.

But that is for the race track. On the road, it was the much better flexibility and smoother power delivery that appealed to me. The MX-5 BBR Turbo is as nimble and sure-footed as ever but it feels as if the 1.6 litre engine has grown into at least a 2-litre.

The wider tyres make the handling even sharper and no doubt raise potential cornering speeds. But the ride is decidedly joggly and there is a lot of tyre roar, though not as much as in the Porsche 911.

It was too cold to drive with the hood down but even closed up, the MX-5 BBR Turbo was entertaining and not in the least claustrophobic. You can see out of it very well, though care is called for when joining a main road at an angled junction because there is a small rear quarter blind spot. Wind noise is moderate; listening to the radio on the motorway, I heard every word of the Chancellor's annual Autumn Statement to the House.

Despite the performance boost, the Mazda MX-5 BBR Turbo retains its exhaust catalyser. It prefers Super unleaded but will run on normal Premium unleaded. All you have to do is flick a switch beside the fuel filler flap release to tell the electronic ignition to prepare for a simpler diet.

MOTORING BRIEF

SAFETY IS set to become the most important selling feature of cars of the 1990s – and no, it is not Volvo but Audi which is saying so. VAG (UK), Audi's British importer, is putting its money where its mouth is. It is investing several million pounds in an advertising campaign demonstrating the inbuilt active and passive safety of Audi cars, especially the Procon-Ten system fitted to all current models.

Procon-Ten significantly reduces the risk of injury in a head-on collision. If the crash is severe enough to shift the engine backwards, a system of cables instantly tightens the seat belts against the driver and front passenger and retracts the steering wheel into the dashboard. In particular, the driver's face is no longer likely to be injured by hitting the steering wheel when the seat belt stretches.

Two new Audi 80s were smashed head-on into one another in making the TV commercial. VAG (UK) explains that although the marque has a strong performance image, research among potential buyers showed safety had become a main issue. According to Tony Hill, Audi brand manager at VAG (UK) there has been "a change of attitude . . . and the buying public is now deciding more on safety features and less on performance." Is that a man from Volvo I can hear saying "I told you so – we have been selling safety for over 20 years?"

Archaeology

A great Greek gift

***Gerald Cadogan** digs into the mystery of an ancient vase*

THE GREATEST of the hidden treats that give such joy when travelling in France is in north Burgundy at Chatillon sur Seine 150m south east of Paris.

Its museum has the best Greek bronze vase in existence, a krater or mixing bowl for wine and water. It is so large that it barely seems real, and yet it is of extraordinary beauty and workmanship. It was found intact in 1953 in the tomb of a local princess, or priestess, who died about 520 BC. Apart from its beauty, this object raises many intriguing questions starting with the most obvious: how did this krater get to northern France, when it had probably been made in Sparta?

The tomb is is the village of Vix at the foot of Mont Lassois on the A6 autoroute just outside Chatillon. Mont Lassois had an Iron Age hillfort with defences that ran down to the Seine. It was the local capital and controlled the main route to northern and north west France from Provence, Italy and Switzerland.

The tomb lay under the ploughed out remnants of a mound of stones 40 metres in diameter and originally five to six metres high. (When digging began, the archaeologists expected to find a hut like those on the flat top of the hill, what they got was a chamber three metres square, three metres deep and lined with wood, some of which survived because the ground by the river is so wet. It had had a wooden roof with the stones piled on top. When the roof collapsed they fell in, saving France's richest early burial from robbers.

In the chamber was an astonishing sight. Far from Greece, a huge Greek bronze vase stood on the floor, 1.64 metres high and able to hold 1,100 litres of wine. On its lid were an imported silver bowl with a gold central boss and two pottery bowls from Athens, all for drinking from. At the foot of the krater was an Etruscan bronze wine jug, and stacked nearby were three bronze washing bowls – all that would be needed for a ritzy and copious party.

Also in the tomb was a wagon and on it the body of the princess in her best jewellery. She wore anklets of twisted bronze, an amber necklace, seven brooches and bracelets of shale and bronze decorated with amber beads. At her head was a fabulous gold diadem or neckpiece which ends in lion's paws resting on chunky knobs with a winged griffin behind. It weighs 480 grams this masterpiece was probably made by Scythians in the Black Sea region.

The krater has a luscious green patina. Gorgons sticking out their tongues support its two large roll handles. Their legs end in snake's heads and more snakes rear up behind their shoulders. Around its neck is a parade of warriors and chariots. The lid is pierced to strain the wine and has a handle in the shape of a pretty girl. It looks as if it arrived in pieces for reassembly in France. The handles, figures and base were made separately from the body and the figures have letters scratched on them which correspond to letters on the neck as a guide for assembling the krater.

But why did it and the Etruscan, Scythian and Athenian pieces come at all? Two routes are possible. One is through northern Italy into Switzerland. The more likely is up the Rhone and Saone valleys from Marseilles which was a Greek colony. Its settlers chose an ideal place for growing olives and vines and probably introduced wine making to France - a mighty gift to mankind. The evidence is amphorae found in digs in Marseilles dating from soon after their arrival. They are of a shape familiar in the Aegean but are made of local Provencal clay. If there were local amphorae, there had to be local wine.

The Greeks traded with the barbarian north. They could offer small luxuries and everything a Gallic chief needed to drink his wine in style.

Other French wagon burials besides Vix have their Etruscan bronze jugs or Athenian pots, or Greek bronze vases. But the Vix find is the best and the richest.

What did the Mont Lassois chiefs offer in exchange? Perhaps iron which is found locally. But that hardly seems enough to bring the krater all the way into northern Europe. Tin would have been more valuable. That could have come from Cornwall and Brittany up the Seine to be loaded onto pack animals – Mont Lassois would be the best spot for this – to be taken over to the Saone-Rhone valleys and down to the Mediterranean. Furs, hides, Baltic amber and wool are other possibilities. Doubtless Mont Lassois took a hefty whack of everything that passed through.

Humans were another commodity that could have been sent south to fill the Mediterranean's constant need of slaves and mercenaries. There is no definite evidence for the 6th century BC, but it is easy to imagine. We know that 500 years later Iron Age Britain sent slaves to France for wine and trinkets.

The body trade is an old habit. You never know what may lie behind a Greek masterpiece in a provincial French museum.

English vision of a cultivated Europe

***Robin Lane Fox** insists the British are best*

THIS extraordinary season has not spoiled one of my broader gardening wishes: if anything, it has confirmed it. It is a topical wish because it looks outwards from England to the continent. It also relates to a small, but necessary, task which needs to be done this weekend. Its sub-title might be how to save it and how to spread it. I am not thinking of manure, or even of trouble: my thoughts are on a particular style of gardening.

The case for spreading it is straightforward. When British gardeners look out at the rest of Europe, what do they see in their mind's eyes? Mine sees floral clocks and raucous bedding, purple castles on love-lies-bleeding, marigolds and zinnias and scarlet salvia by the hectare, even more than the town council has yet dared to plant on poor old Derby's roundabouts.

What sort of vision of Europe is this? Only too accurate, I have to answer, although it allows for some bright Spanish window-boxes and gardening in pots, a few great botanic gardens and those pockets of interest in Europe's wild flowers which are not confined to any one social class. Otherwise, continental Europe's historic gardens are either mis-planted or not planted at all (I make an exception for the two great gardens in Granada). Keen British gardeners feel about as much sympathy for this idea of a garden setting as the man in the street feels for the hard Ecu.

For years, enlightened continental gardeners have blamed their climate. Ours is benign and wet, but theirs is deeply unfriendly, and there is nothing that most English growers could do to improve a dry summer in Provence. Events have overtaken this old argument. In 1990, it was just as hot and dry in the Cotswolds as anywhere in Tuscany. It is not only the climate which has changed: English gardening opened new avenues which are less at risk to drought.

These are evidenced in the changes at the Chelsea Flower Show. In the '50s, we were encouraged to admire the great exhibits of flowering annuals from seed which the big nurserymen had grown to perfection under glass. The stocks were gigantic; snapdragons ran in rivers through the larkspurs. This style of planting was not a practical export into most of Europe because it needed to be watered twice daily in heat.

Since the the mid '80s however, the Royal Parks have led a range of exhibitors who show much more delicacy in their summer bedding. Instead of annuals, they show half-hardy perennials, soft-wooded plants which are kept going from cuttings rather than from seed.

These plants are easy to propagate and not too difficult to send by post. Their mainstays are the pink and white verbenas (the loveliest is Silver Ann), the new Osteospermums with daisy flowers in pink, white and yellow, bright pink Diascias from South Africa and those families on the margins of daisies and chrysthanthemums, the Argyranthemums and so forth. The colours are much subtler: the plants have more substance and because they are not transplanted as seedlings, they can be watered until they survive and develop in the sun and heat.

They are a style which Britain could export to unenlightened Europe. Instead of its boring zinnias, France could wake up to the charms of slate-blue convolvulas, mixed with white verbena, pale pink penstemon and a blaze of phygelius for late summer. The new Diascias could drive out Italy's cannas and marigolds and the pale yellow forms of Osteospermum could take the hard edge off the purple and orange in German bedding-out.

The box-edged beds of the Villa Lante or even Vaux le Vicomte would smile again if the Royal Parks were allowed to send consultants. Like parliamentary government and house-buying, gardening is something which we British simply understand better.

It will remain so, at least, if those who grow these soft-wooded plants remember to take precautions this weekend.

Two ridiculously mild winters do not guarantee a third and it would be sad to lose the soft-wooded undergrowth from the Penstemons downwards – one of the few winners in this hot summer. The right plan is not to cut them down now: it is to take cuttings off their side-growth, keep them in cold frames or even in frost-proof, untreated sheds and back rooms, watering gently during the winter. The more vigorous forms of Diascia, my new favourites, seem to root wherever they run: so too the verbena and it is easy to pull up a few pieces, box them in ordinary earth and keep them as stock.

If it is a warm Christmas and new year, English gardeners could always wrap them up and send them to friends on the continent, explaining that it is the way out of a horticultural dark age.

Bold bromeliads

***Arthur Hellyer** reviews two books on a large yet specialised family*

BROMELIAD is not a name much used by gardeners, except those who have a special interest in these remarkable plants. It is quite a surprise that two new books have just appeared dealing exclusively with them and both publishers have been sufficiently bold to use the correct scientific name on the cover without explanation or addition.

I hope they will be well rewarded as this is one of the great families of ornamental plants, plus one important commercial fruit crop, the pineapple, which collectively extend in the wild across central America and deep into South America with a few kinds as far north as Virginia. A single species even strays into Africa.

The two books both have several authors. By far the larger and more comprehensive is *The Bromeliad Lexicon* (Blandford, £22.50), written by Werner Raugh with the aid of several collaborators. It was translated from German and edited by Peter Temple of the British Bromeliad Society. It is a big book which gives a full and scientific account of this large plant family. Inevitably, it makes fairly heavy reading and so must be aimed mainly at those readers who already have some understanding of these plants.

The other – far slimmer – book, is called *Growing Bromeliads* (Christopher Holm, £14.95) and is written by a team of experts guided by two editors, Barry E. Williams and Ian Hodgson, who disdain a fully scientific approach but say that the book is based on the knowledge and experience of successful growers.

Unquestionably this is the one for beginners since it is clearly set out and easy to read and understand without any prior experience of Bromeliads. It contains the kind of basic information that is required to grow these plants successfully. However, *The Bromeliad Lexicon* is the one to carry them on to a full understanding of the family should they so desire when they become more familiar with it.

Part of the problem is the sheer size and complexity of the bromeliad family. There are about 2,000 difference species plus numerous garden varieties, but only a few hundreds of these are widely cultivated in greenhouses, conservatories or as house plants and a few kinds in sheltered places in Britain in the open.

The diversity of forms and cultural requirements can be baffling. It is often difficult to understand what the plants have in common and why botanists have included them all in one great family.

What is it that links the Spanish Moss or Greybeard, a species of tillandsia, with the luxuriantly green neoregelias, some of which are ornamental plants? These have stiff, strap-shaped leaves arranged in regular rosettes with the leaves overlapping at the centre. The leaves form a watertight receptacle which must be kept constantly filled with water for the benefit of the plant, which lives on the bark or branches of trees out of contact with the soil.

This Spanish Moss, all the neoregelias and many other bromeliads are epiphytes which have evolved to live without soil. In cultivation, though, it may be convenient to grow them in pots in compost that will remain open and well aerated with no tendency to become water-logged.

Another feature of neoregelias is that their small flowers are packed so closely together that they can all be contained within the central vase formed by the leaves, which puts them almost out of sight. But the leaves themselves may begin to glow with red colour at the centre as flowering time approaches. For this reason they are popularly known as Blushing Hearts.

The nidulariums look rather like the neoregelias but some of them carry their flowers in a more familiar manner in clusters on stout stems well above the leaves. Some of these spread their flowers closely on opposite sides of a long, central stem so that the whole spike looks rather like a gigantic coloured quill pen.

One could go on with seemingly endless types of growth and flower and almost as many variations in cultural requirements which are often hard to discover since most of the retailers buy their plants from the big commercial producers and do not have to grow them for long themselves. Some of these growers print good instructions on their name labels but these cannot give anything like the detail, nor the wealth of explanation and description that is contained in both these new books.

Most garden centres and glass house nurseries stock some popular kinds of bromeliads at some time. A few have a good selection to offer throughout the year. One such is Bridgemere Nurseries, Bridgemere, near Nantwich, Cheshire. Another is Anmore Exotics (Gardens) Limited, the George Staunton, Petersfield Road, Havant, Hampshire.

Stable property is in demand

Mews houses, once slums, are now the height of back street chic writes ***John Brennan***

FIRST HORSES, then surplus servants; after that the car mechanics, followed in their turn by impoverished bachelors of both sexes and now adopted by business debs and architects, car collectors and 'singles' in search of their own front door. It is an eccentric line up.

Tracking the successive occupants of mews properties offers a transparent slice of social archaeology.

Built as bottom-of-the-garden homes for the carriage horses of the gentry, mews tend to be in the best residential areas of town. They do stand at a deferential tradesmen's distance from their patron town house; no more than a garden's length from a fashionable post code.

Good location accounts for much of the appeal of mews properties. But it is only in the last quarter century or so that the social gulf between the town mansion front door and the mews entrance back street has been bridged. House and stable block were built to be societies apart, and they stayed that way for generations. The first big influx of mews residents was unplanned, and involved sharing the buildings with the horses. The mid to late Victorian development boom that created so many of the big town villas and their stable out-houses also created a servant problem. For the resident staff of the landless year-round London merchant and professional classes, those rarely used stables were the only option for a rent-free retirement for elderly retainers.

By the 1880s a high proportion of London's mews had become ribbons of abject poverty in areas of extreme wealth.

Cars are insensitive to poor plumbing and draughts and the first half of the 1900's were the age of the mews garage. No low-budget, Elstree film of the 40s or 50s is complete without a sequence that includes a mews mechanic: the chauffeur as a car-polishing extra, or the regulation Cockney wit leaning on a Wolseley puffing a Woodbine and engaged in the quintessential mews gesture of the period – the formal wiping of hands on an oily rag.

As depositories of black market goods, mews figure high on the list of properties raided by the police in, and immediately after the Second World War. Mews added to their risqué image as conversions in the 50s and 60s attracted an off-beat population of people without families, without the cash to buy or rent a more traditional home, and yet keen to be in the centre of town.

By the 60s mews' properties conjured images of minis and models, of society photographers and people who BBC's news readers described as "entertainers" – from rock musicians and disc jockeys to ladies whose entertainment of senior politicians added occasional spice to Britain's poor diet of sex scandals.

Planners had little to do with the mews' switch from horses to cars, and many of the early conversions of lower floor garage space into living areas were carried out without scrupulous paperwork. It mattered little because mews were cheap, costing a fraction of the price of a similar sized mansion block flat round the corner. Building societies were shy of mixed use properties at the best of times, and their valuers had no box to tick on the checklists to add value for being "chic". Most mews were rented, comparatively few of the mainly transient occupiers wanted to buy their temporary homes.

It is only since the '70s that there has been an active market for mews as a distinct property type, and in the '80s pseudo-mews started to emerge on the builders' lists. Now, as London mews specialists Lurot Brand & Co's latest sales list shows, we have entered the age of the £1m-plus mews house. Mews on the market range from in price from £88,000 for a two bed freehold in Southwark to £1.6m for a four bedroom 51-year leasehold in Belgravia, and £1.95m for another, big four bedder on a 60-year lease in Hay's Mews, W1. Lurot's list would give a Victorian groom apoplexy.

There were neither hawks nor horses in the mind of the builders when they completed Albany Mews, London SE5. A freehold mini-house on two floors with reception, fitted kitchen, two bedrooms, and 18 ft by 18 ft garden, its main claim to mews status is its scale and position in a private cul de sac. At £88,000 through Lurot Brand (071-402-3275) it's an Elephant and Castle cum Kennington variation on a theme, the common elements of which appear to have given mews properties at a degree of insulation from the past two years' price slide.

The mews agency's Fiona Stebbings reports that recent valuations for clients who had bought a mews in 1988 come out at around 80 to 90 per cent of those peak market prices. That's far less dramatic than the setback in prices across London homes as a whole, and while mews haven't stood apart from the market downturn, "they have held their own pretty well," she says.

Lurot Brand estimates that there are 10,000 to 12,000 mews houses in the London market as a whole, and it has records of close on 300 central area mews on the market now.

"The majority of people who are interested in them are English people," says Stebbings, "a lot work in London and need a pied a terre, there are bachelors and single people, divorced people, and then there are the car fanatics, it's amazing how many of those there are."

Not every mews comes with a parking space, and in the central area those with the old concertina garage doors and space for the motor have become increasingly scarce as the old stables succumb to the interior decorators. But for those whose passions involve having an oily rag to fondle and a Ferrari to care for, a motor mews in a desirable west London postal district is as near heaven as they are likely to find in the capital.

Well groomed: a London mews conversion in Eaton Row, Belgravia: yours for £1.6m.

Yellow lines have crept into mews streets in many areas but there are far better odds on being able to park outside your front door with a mews than most other homes. As for the old stable space, most of the residential conversions from garage use in the last 20 years have involved enclosing the lower floor and converting it into a decent sized living room.

That said, conversion work hardly describes some of the reconstruction projects that the better located mews have inspired. Mews have been ultra popular with London's plethora of small time residential developers, either interior decorators on an overdraft keen to be their own client for once or jobbing builders taking a gamble on a do-it-themselves scheme. A good location and a small property make an ideal combination for one-at-a-time developers and, in the '80s bull market, with rising values and easy finance, plenty of mews properties got the full treatment.

In practice, most had to be reconstructed from the inside out. The original builders never envisaged their basic brick shells housing anything more demanding than a pair of grays and the occasional overnight groom. Few mews were built for posterity, and so the more ambitious conversions invariably involved a complete reconstruction job. You would be hard put to find a more ambitious example of the genre than the combination of three mews at 10 Eaton Row, SW1.

Mews is a corruption, or perhaps more accurately an adaptation, of the French *muer* (to moult) which gives *mue* (the slough of feathers and stag antlers and general mess and tackle associated with an estate building) and *muettes* (where the hawks lived during the moulting season and where the hounds and horses were kept). When the Royal stables at Charing Cross were built on the site of the former hawk enclosure Tudor Londoners clipped *muers* down to the familiar, anglicised "mews".

Forget the horses and the car, although there is private parking. For an asking price of £1.6m you get a large area, three storey, air conditioned, four reception, four bed and bath house on a 51-year lease.

While mews at the top of the market can outshine their patron houses, so those down the price scales have come to challenge the London-base office market. The ubiquitous "B1" business-use User Class enables the owners of mews retaining lower ground workshop status to adapt them as a combination pied a terre and office. If you don't need more than a few desk spaces in town, a business mews is likely to be cheaper, more central and considerably more flexible than an equivalent sized office, even if you could find such a property.

Take the one bedroom, four-year-old property at 5 Dunworth Mews off the Portobello Road, W11. At £199,500 freehold with B1 classification for the 240 sq ft lower floor, that as a flat, an office and space to park in central London for a property on which it would be possible to get a normal residential mortgage.

As a commercial base you would be hard put to find an equivalent freehold office for the price where you could legitimately hang up your laptop and sleep over. Not that the old, more restrictive user classifications did much to prevent the progressive switch from manual to paperwork inside countless mews properties over the years. Even within strictly residential category mews any local authority planning compliance officer would have a field day rooting out the consultancies and the professionals whose daytime and weekday "office" spreads across one of those 20 ft by 12 ft lower-ground floors. In the evenings, and for purposes of resale, that's reception space.

Channel chills

TAX shelter alone hasn't been enough to distance the Channel Islands from the housing market in the rest of the UK. John Inge of Knight Frank & Rutley says the sluggish mainland market has meant a slowdown in the number of people trading across to the islands.

This has not had much impact on Jersey, where the residency qualifications limit the number of incomers to a handful of multi-millionaires each year. But in Guernsey housing divides into local and open-market properties, with no bar on incomers buying from the open-market supply. Problems selling in mainland Britain may have taken some of the pressure off demand in the middle price ranges but the scarcity of major properties explains the £4.75m guide price for Le Vallon, above, a 19th century six bedroom Gothic manor house in 40 acres by Moulin Huet Bay on the south eastern corner of the island.

"This is one of the largest blocks of land to come available on the island for some time," says Inge.

The estate would divide neatly into three substantial properties. The manor, a 15th century cottage close by and the farmhouse all have open market status in their own right. Le Vallon is available through agents Knight Frank & Rutley (071-629-8171) and, in St Peter Port, Guernsey, Lovells (0481-23636) and Robin Stone Properties (0481-710848).

Over the water on the tiny, car-less, self-governing island of Sark, Strutt & Parker are selling La Cloture de Bas, a four bedroom conversion, with guest and staff wings, of 18th century garrison barracks. Set in 25 acres overlooking the sea, the agent (071-629-7282) has been looking for offers in the region of £695,000 for a 49-year leasehold.

La Vallette Farm in St John on the northern part of Jersey, gives a flavour of prices at the top of the Jersey market. Hamptons' (0534-20358) expects offers around £5.5m for the near 40 acre estate centred on an upgraded four bedroom farmhouse with two guest flats and an 70 ft by 35 ft indoor swimming pool.

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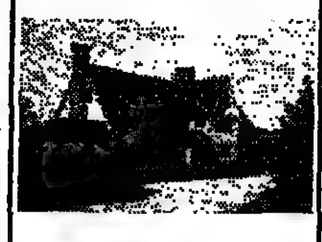

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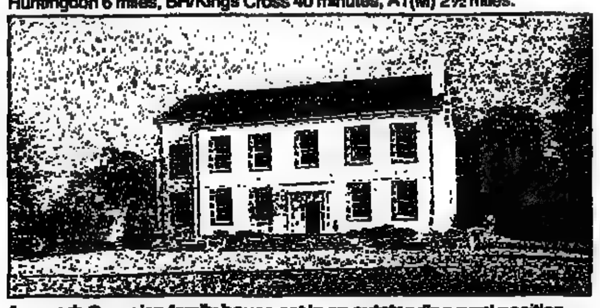

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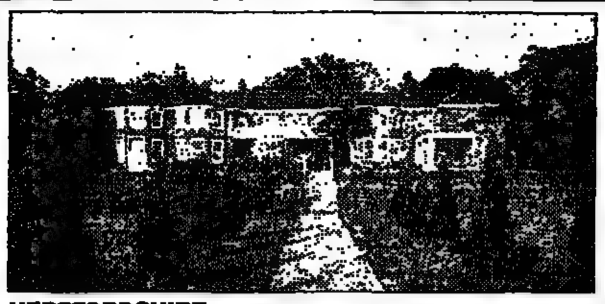

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Ref.1GG50221.

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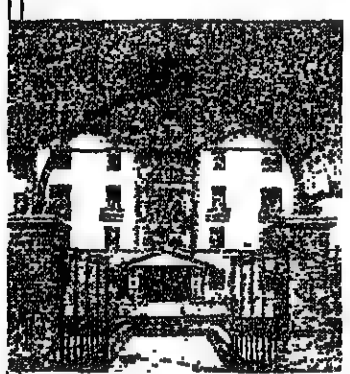

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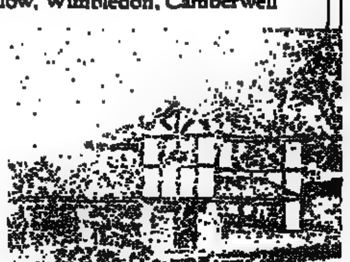

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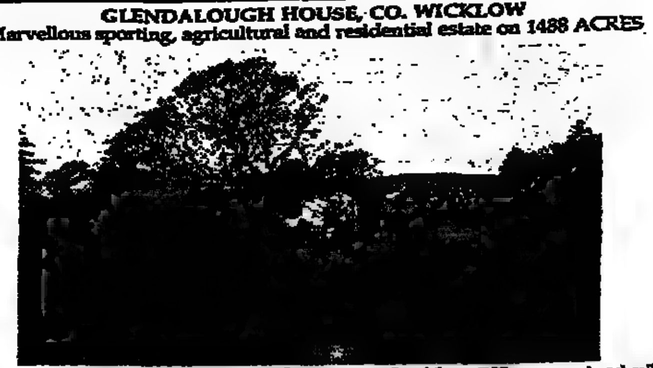

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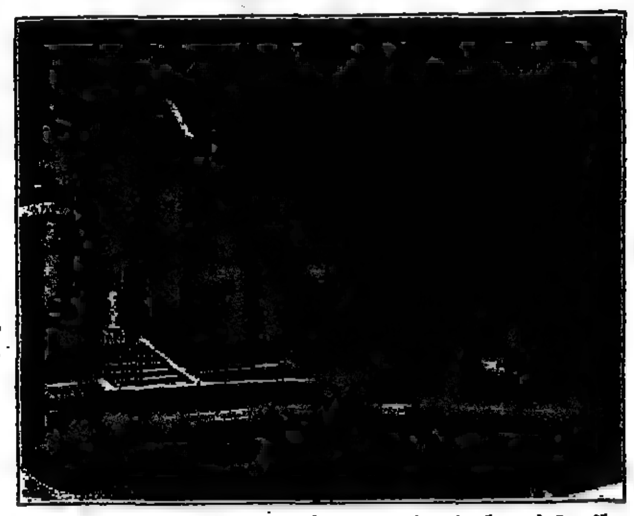

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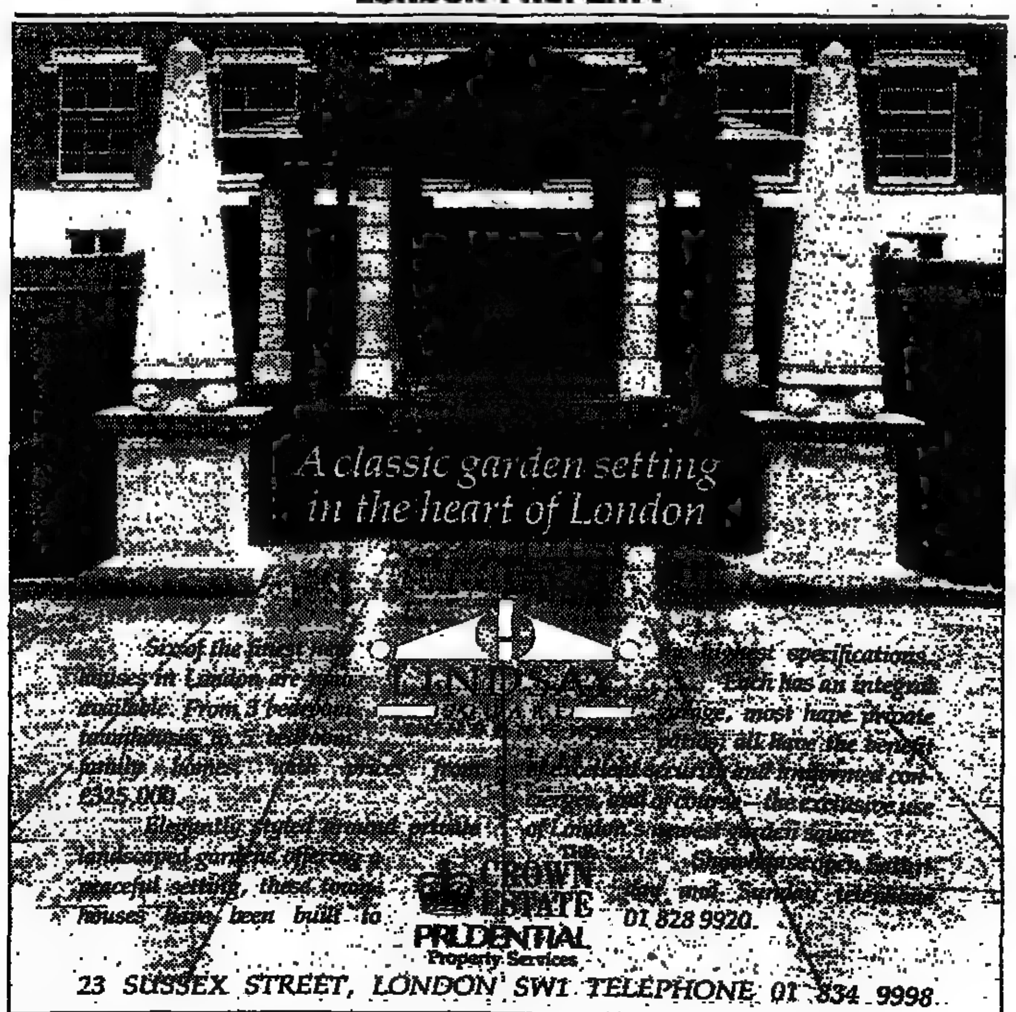

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هكذا من الاصل

BOOKS

A sisterhood in splendid isolation

***Anthony Curtis** finds this story of sibling rivalry as fascinating as any of the Brontë novels*

This is the first biography of Emily Brontë to be published for twenty years, we are told. Fair enough, but within the past twenty a couple of excellent biographies of Charlotte Brontë have appeared, Margot Peters's *Unquiet Soul* (1975) and Rebecca Fraser's *Charlotte Brontë* (1988).

It is clearly impossible to consider Emily separately from Charlotte or vice versa. For so much of their lives they were in daily contact with each other, from the time they shared the same bed in the parsonage at Haworth to that first journey abroad when they became mature students at the Pensionnat des Demoiselles in Brussels. Even their first publication – a book of poems – was a joint one with their other sister Anne.

You may try to keep your camera-lens focussed on one or other sister, but the inseparability of their lives extended to the entire Brontë brood of six children. They were all born in the early 1800s to the Rev Patrick Brontë, author of *Cottage*, and his wife Maria Branwell who died when her children were little. Her two oldest daughters died when they were girls during a typhoid epidemic at a dreadful boarding school – see *Jane Eyre*.

Their parson father – Patrick Brunty as he was called, originally – came of humble mixed Catholic and Protestant Ulster stock. By a rare stroke of fortune, he became a sizar (undergraduate-cum-servant) at St John's College, Cambridge, and after taking his degree he lived his long life as an aloof member of the Yorkshire clergy. The Irish Celtic strain, which he passed on to his gifted daughters, all of whom he out-lived, should not be under-estimated.

From 1820 when Patrick was appointed incumbent of Haworth in the West Riding, their isolation as a motherless family unit was complete. Aunt Elizabeth Branwell joined them from Cornwall and saw to the running of the household. The girls became a sisterhood in every sense – a community of women in splendid isolation living entirely by their own female resources.

They were cut off geographically; the bleak wind-swept remoteness of the landscape, its lofty splendour changing with the seasons, has been immortalised in *Wuthering Heights*. They were just as cut off emotionally, enjoying none of the socialising, the to-ing and fro-ing, parties and gossip, that was the life-blood of Jane Austen and her sister Cassandra. Emily was the one who embraced this isolation most fully.

The two Brontë representatives of the male gender, the parson father and the scapegrace brother, Branwell, who was also resident in the household, were highly important to the sisters' state of mind but did little to enhance it. When papa was not taking service in church or visiting parishioners, he shut himself away in his study, even to the extent of having all his meals brought there. The girls were, however, reminded of his presence – deafeningly so – at dawn when he would fire off a round from his shot-gun into the moors to celebrate the appearance of the new day.

Irruptions by Branwell were even more disturbing and wholly erratic. He was a Victorian version of a drop-out, spending much of his time in Haworth's local inn, the Black Bull, staggering up to the parsonage after it had closed, completely stoned. As it happened Branwell was not all that less talented than his sisters; what he lacked was their indomitable will-power.

EMILY BRONTE: A CHAINLESS SOUL
by Katherine Frank
Hamish Hamilton £14.99, 302 pages

At one time they all wrote novels. Branwell's was the one that remained unfinished, like his career as a portrait-painter, to which we do at least owe the authentic portraits of his famous sisters. Was Branwell gay? Possibly – he was sacked from a tutoring job locally in circumstances that have never been wholly explained. This biographer is highly sceptical of his account of his "affair", first revealed by Mrs Gaskell, with his employer's wife.

With such a restricted environment offered them by life, the Brontës turned inward and began to inhabit a rich, crowded, exotic environment of their own invention. They created fantasy power-bases where men possessed of the resolution of their favourite contemporary heroes – Lord Byron, the Duke of Wellington – would vie for the love of beautiful, fatalistic women. Branwell took the lead with Glass Town; Anne and Emily found that imaginary country too militaristic and seceded to their own island they called Gondal; Charlotte came back from school, saw what had happened, and staked out her particular terrain, the island Angria.

Kathleen Frank draws on all this juvenilia in order to direct attention to Emily's role in the creation of these narratives and her battles for imaginative ascendancy with Charlotte, a story of sibling-rivalry that is just as fascinating as any of their novels. Charlotte was the one who eventually decided it was time for them all to grow up. She made a written renunciation of Angria. Her plan was that they should run a school of their own and take in boarders. To qualify themselves fully for this, Charlotte and Emily enrolled at a Belgian finishing school run by Mme Zoe Heger.

Emily loathed the place and after a while refused to eat anything in silent protest, but Charlotte enjoyed it at first, particularly penning her *devoirs* for Monsieur Heger. He soon realised that he had in Charlotte a brilliant, model pupil. Nor was it long before she was madly in love with Constantin Heger, whose immense vanity was tickled. Back in Haworth for the holidays, Emily decided enough was enough, but Charlotte returned to the Pensionnat as a teacher. Mme Zoe, no fool, discerned the state of play and cut off all but the most formal communication between her husband and Charlotte. Mlle Brontë eventually returned home shattered in mind and spirit, but her residual memory of the whole experience was to provide excellent material for fiction later.

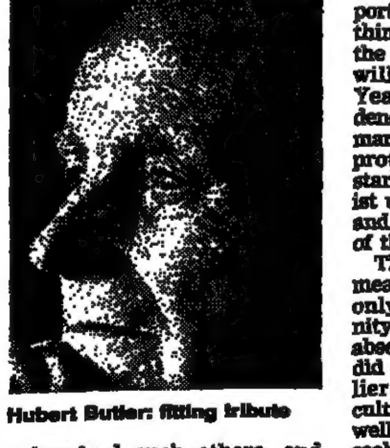
Katherine Frank is deft in her treatment of all this – none of it especially new, it must be said. She is especially concerned to delve into the Brontë sisters' eating-habits, finding there some fresh insights into their fiction. They starved themselves out of intolerable situations rather like Irina Ratushinskaya and her fellow inmates in the Gulag. Frank's sub-title – "a chainless soul" – comes from one of Emily's poems, many of which are very fine. It symbolises inner freedom – the freedom of the long-term prisoner who takes control of his own destiny by refusing food. Frank deals more fullly with Emily's abstemious eating and fasting than any previous biographer and diagnoses what we would call anorexia. She shows that *Wuthering Heights* is as replete with images of food and scenes of eating and non-eating as it is prodigal of romantic and erotic passion; large parts of the story are set in the kitchen where meals are being prepared.

Anyone who wishes to discover, painlessly and enjoyably, the latest state of play in Brontë studies is recommended to read this book.

Anglo-Irish meditation

SHAW BLAMED it on the "colours in the sky" and the "sadness in the evenings". "Leave Ireland", he advised his countrymen. To stay was only to suffer "the dreaming, the torturing, heart-scalding, never satisfying dreaming."

Unlike many of his Anglo-Irish contemporaries in the 1920s, Hubert Butler chose to stay. To mark his 90th birthday Penguin have published this collection of essays spanning six decades and encompassing travel, philosophy, literature and autobiography. They make for magnificent reading, a fitting (if belated) tribute to a writer who has restored to the "occasional" essay its age-old privilege to delight and instruct.



Hubert Butler: fitting tribute

His meditations on European history this century remind one of Levi or Milosz, the voice is as distinctively personal, the cultural sympathies as broad, the ethical imperative no less stern. He makes us see that "cultivating one's own garden" is not a defensive refuge but the best, because the most effective, form of practical action a man can undertake to assist his community. During the 1930s his community was Vienna, which found him helping Jews escape Nazi persecution, and later Leningrad, where he taught English under communist surveillance.

He dismisses the "poetic social reformers", Anglo-Irish dreamers like Lady Albinia Broderick who dressed as an old Irish country-woman and built a hospital for the Kerry poor on so romantic a promontory that no-one could reach it. He is withering about Graham Greene ("Outside his craft, let us admit it, he is not very intelligent") yet writes some of the best literary criticism I have read on that author. With his belief in practical action, he is naturally impatient with those writers for whom "the world created by the Organisation Man is so obscene and ludicrous that they can only laugh at it, the bitter laugh of the defeated, of Joyce and Beckett, Albee and Genet, and a hundred such others, and with a certain sad satisfaction reflect that this world is a Vale of Tears anyway and we should turn our mind to the next."

The communities Butler evokes so well are, typically, free-thinking and non-conformist, such as the Mormons in Salt Lake City or Pierrepoint Noyes' Oneidan brotherhood. Heirs, fancifully perhaps, of his beloved Greek city-states, they flower between the blinkered prescripts of Church and State. Butler has been notorious for opposing the Catholic church at its most bullying, his *cause célèbre* being the exposure of the forced and often violent "conversion" of hundreds of thousands of Serbs by the Catholic authorities in Croatia in 1944-5, which made him a pariah in his country and provides the title essay of this collection.

THE SUB-PREFECT SHOULD HAVE HELD HIS TONGUE, AND OTHER ESSAYS
by Hubert Butler, edited by R F Foster
Allen Lane £18.99, 368 pages

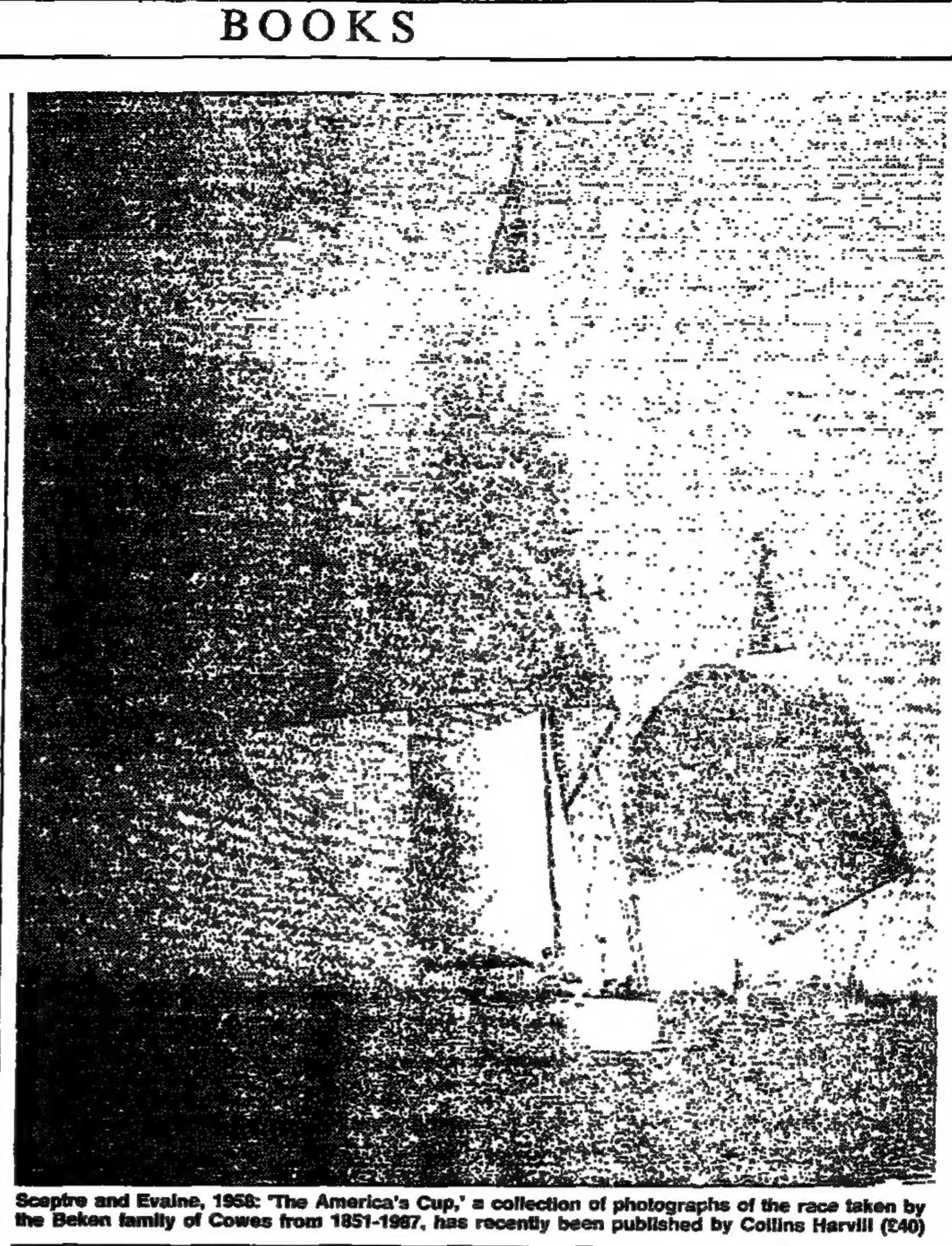
Butler's true home for the Irish, some would say his lost cause, is Anglo-Irish protestantism, the cause of Yeats (whom he knew) and Lady Gregory, and the movement he returned from Oxford to support in the 1920s. It is odd to think that Butler is probably the last Irish man of letters we will hear saying this: "As Yeats knew, Irish independence, like American, was primarily the notion of a small protestant minority. It is in stark contrast to the imperialist universalism of the English and the Catholic universalism of the Irish."

The feeling of "if only" permeates many of these essays. If only the Anglo-Irish community had stayed (he criticises absenteeism as vigorously as did Maria Edgeworth, an earlier upholder of Anglo-Irish culture, of whom he writes so well) rather than emigrating to seek their literary and financial fortunes in London. Then a true Irish culture could have been forged, local in its loyalties but European in outlook. He quotes E.R. Dodds: "The birth of a terrible beauty has ended with the establishment of a grocer's republic."

But Yeats' vision of "ancestral houses" (of which Butler's family seat in County Kilkenny is a surviving embodiment) was not to prevail: "Between January 1922 and March of the following year 139 country houses were destroyed, many of them treasure-houses of great beauty, with fine libraries, whose owners had shaped Irish history. When on 28 June, the Four Courts, where the archives of centuries had been stored, was bombed, it was like the end of a civilization . . . The Irishmen who burnt down those Tipperary houses were sawing away the branch on which they were sitting. Clamouring that they were a distinctive people, they obliterated much of the heritage that distinguished them."

In the treasure-house of these essays Hubert Butler has preserved much that is beautiful, much that is Irish and, inevitably with the best collectors, much that others will wish he could have disposed of long ago: a fascinating haul.

Mark Archer



Sceptre and Evaine, 1958: 'The America's Cup,' a collection of photographs of the race taken by the Beken family of Cowes from 1851-1987, has recently been published by Collins Harvill (£40)

Mixed moralities

***William St Clair** on Pericles and his world*

IN THE 5th century BC the people of the city of Athens made intellectual and artistic advances unsurpassed before or since. History, philosophy and drama in their modern forms were all more or less invented. Architecture and sculpture were taken to new heights of perfection.

Perhaps most astonishing of all, in the course of a few decades the city introduced the most democratic form of government ever attempted, and operated it with success for many years in opposition to the authoritarian and militaristic model of Sparta. Our own civilisation owes more to that generation than can be easily comprehended. As Shelley said, we are all Greeks.

For much of the period the political leadership of Athens was provided by Pericles, son of Xanthippus. He held a succession of public offices in peace and in war during most of his adult life. He gave the city both practical policies and a vision of the ideal to which it could aspire. Pericles stamped his personality on events so decisively that the phrase "Periclean Athens" slips as easily from the tongue as, say, Renaissance Florence as one of the decisive moments in world history.

In *Pericles of Athens and the Birth of Democracy* Donald Kagan, a Professor at Yale University, has written what he calls the first modern biography. In a series of chapters headed Democrat, Soldier, Educator and so on he skilfully weaves Pericles the man into a narrative history of the times. No knowledge of Greek is expected, there are no detailed footnotes and no extended discussion of disputed points. The author offers his own interpretation of what he believes happened and presents it plainly, drawing parallels with other periods of time, notably the Second World War, with which his intended readership is likely to be more familiar. This is unashamed popular history in the best sense of the world.

A biography in the modern meaning is of course impossible. We know nothing of Pericles's inner life and only the barest details of the external. Whereas a biography of, say, Disraeli might try to show how his unique personality caused him to make certain choices in his political life, with ancient leaders the process is reversed. The biographer has to infer the private man from the public actions.

PERICLES OF ATHENS AND THE BIRTH OF DEMOCRACY
by Donald Kagan
Secker & Warburg £20, 302 pages

In the case of Pericles the problem is made harder by the nature of the sources. Reliable contemporary evidence is sparse – apart from the wonderful later speeches recorded by Thucydides. For the most part we are thrown back on the writings of Plutarch, who lived 500 years later in the days of the Roman Empire and whose world view was already very different.

Athenian democracy was not universal. Women and slaves were excluded and also the large settler merchant class who did not enjoy citizenship rights. But among the participating minority the ideal of equality was taken far towards its logical extreme. Certain officials, including the commanders of the armed forces, were appointed after elections. Most offices were however filled by the drawing of lots, it being assumed that since all that was required was a modicum of public spiritedness any citizen could perform them. Notions of fairness pervaded the institutions, but the good of the city overrode all justice for individuals. A vote of 6000 could ostracise any politician from the city for ten years, no justification or cause needed other than unpopularity.

Professor Kagan is stronger on events than on interpretation or explanation. He is aware that the attitudes of 5th century Greece were not the same as ours. He knows that, even by the standards of the day, Athenian imperialism was exploitative, deeply hated, and capable of the cruellest acts of injustice such as the mass extermination of the male inhabitants of Melos. But as an unapologetic admirer of heroes and of greatness he has not fully thought through the implications.

Most of the time he takes the age on its own terms, accepting for example that Pericles had a right to go to war for booty or glory or what is imperfectly translated "honour" provided only that no formal treaty was being broken. But since at the same time he makes no secret of his own admiration for the political outlook which he attributes to Pericles, the book swings between objective history and political encomium. The style has an old fashioned, even Victorian, confidence, born of a belief in shared non-relativistic ethical values. It is well worth reading, but paradoxically the mixing of the moralities tends to confirm my own fear that the Ancient Greeks were more alien from us than we can ever readily accept, and that we may never be able to understand the miracle.

A latter-day Moses

ON SEPTEMBER 3, 1897, following the first Zionist Congress, Herzl wrote in his diary: "In Basel I founded the Jewish State. If I were to say this out aloud today, everybody would laugh at me. In five years, perhaps, but certainly in 50, everybody will agree." Mr Pawel notes: "It actually took six months longer than he predicted: the Jewish state proclaimed its independence on May 14, 1948."

To most Israelis today the names of Zionism's founding fathers are hardly more than street names in Israel's towns and cities. Theodor Herzl is different. His portrait hangs in every government office. His sombre grave in Jerusalem is a national shrine. The myth which shrouds his persona equals that of Moses. Herzl, who saw himself as the "Parnell of the Jews", is the first name that comes to mind when Zionism is mentioned.

Several Herzl biographies already exist, notably one by A. Bein from which Mr Pawel quotes extensively. What distinguishes this latest is the magnifying glass it holds up to Herzl's shortcomings, both as a man and a leader.

Well before Herzl "invented" Zionism pockets of it were to be found in Europe, in Britain, and indeed in the developing Jewish community of Palestine. It was, however, little more than a common awareness, fragmented and dissipated. Arriving on the scene at the right time, Herzl gave Zionism cohesion and the momentum it needed to become a national movement and a political force to reckon with. Extraordinarily, he did it virtually all by himself; stupendous energy, a grand personal presence, colossal ego and a charisma to match were his only qualifications for the role of leader representative of the Jewish people.

THE LABYRINTH OF EXILE: A LIFE OF THEODOR HERZL
by Ernst Pawel
Collins Harvill £9.95, 554 pages

Herzl's own links with Judaism were tenuous as was his sympathy for it. A penchant for theatre rather than the search for his roots prepared him for his historic destiny. Born in Budapest in 1860, an only child to well-to-do bourgeois parents, he grew up in Vienna to become a super-assimilated Jew.

Precocious from an early age, Herzl aimed at being a playwright. Success in that field eluded him. Instead he became an influential journalist and competent writer of stylish *feuilletons*.

Herzl's vision of Zionism took form while he was Paris correspondent of the prestigious Austrian *Neue Freie Presse*. It came as a reaction to the endemic but growing anti-Semitism of *fin de siècle* Europe and against the background of the Dreyfus trial. His solution may have been naive, and the model he conceived for the Jewish State far removed from Jewish tradition and values. But as often happens with simplistic schemes, it carried a compelling force.

Herzl cannot be an easy subject for a biography. Gifted, autocratic, narcissistic to an extreme and lacking in depth, he was ultimately rather two-dimensional, like the characters in his own indifferent works of fiction. However, the tale of the extraordinary circumstances of the development of Zionism, its leading actors, the intrigues, passions and ironies which attended it throughout, is gripping stuff, and Mr Pawel, who has a sharp sensitivity for irony, does it full justice.

Elon Salmon

In the footsteps of Huck Finn

EMIGRATING TO America has always involved two very different journeys. First, there is the often fraught process of simply getting there, a trek across hazardous bodies of water, past hostile officials, through unwelcoming neighbourhoods. The second journey is more subtle and profound, in which the traveller is forced to shed large parts of his personality in order truly to enter the New World. Clothes, language, even religion must often be shucked aside as a precondition to acceptance.

In *Hunting Mister Heartbreak*, Jonathan Raban seeks to recreate the American immigrant's experience. Although he discovers that the process of moving to and around that great continent has eased considerably in the past few centuries, the risks to personal identity remain just as great as they did to the huddled masses arriving several generations ago. Raban's magnificent record of coming to America shows that the modern immigrant is faced not only with the difficulty of getting in the door, but also of choosing who he is going to be once he's inside the house.

Raban's journey begins in Liverpool, where he books steerage aboard a cargo ship. This ironically quaint means of transport (today's immigrants come packed in 747s) lands Raban in New York, where he takes up residence in a sublet studio flat. He soon discovers a desperately sick metropolis, nothing like the bustling haven for the newcomer it was a hundred years earlier. The city seems divided between the Street People, forced by poverty to live on the pavement, and the Air People, forced by wealth to dwell in cocoons far above the ground. Raban has trouble getting his bearings here, finding the identities now offered the New York immigrant too unpleasant to adopt.

Exhausted by the rigours of city life, Raban travels south, taking up residence in the sleepy town of Guntersville, Alabama. The New South is seductive to the immigrant – affluent, easy-going, absurdly friendly. The author, dubbed John Rayburn by the locals, contemplates selling his boxy Essex house to buy a spacious lakeside residence, to take on a new identity as a gentrified southern writer. Yet hints of the savagery and prejudice that still underlie the South's gentle beauty eventually break the spell of Raban's idyll.

He makes for Seattle, the latest destination of choice for people seeking a new start in the US. He finds an attractive, placid, welcoming city where he is once again accidentally given a new name – Rainbird. He makes himself quickly at home here, fantasising about earning a living as a regional writer/critic, even going so far as sketching an outline for the quintessential Seattle novel.

Once again, however, Raban/Rayburn/Rainbird moves on, this time to the last American wilderness, the Florida Keys. It is only here that the pioneer spirit epitomised by Huck Finn survives, although the 1980s Huck is likely to be a drugs runner. Having run out of country, Raban ends his journey by scouting out a cemetery plot in a Key West graveyard, only to find a waiting list that will force him to delay finding his new identity, even in death.

HUNTING MISTER HEARTBREAK
by Jonathan Raban
Collins Harvill £14, 428 pages

Hunting Mister Heartbreak is a richly perceptive and deeply rewarding book. Its evocative title – taken from the John Berryman poem about the immigrant/essayist J. Hector St. John De Crèvecouer – suggests both the restlessness and pathos of the immigrant's journey. Raban well captures the spirit of this voyage, demonstrating how America still offers interchangeable identikits for those hearty enough to give it a go. Yet he is by no means starry-eyed about the process, indicating that a cardboard box in Grand Central Station or prison cell in Miami await those who slip up in the quest for a new self. There is also a rather sobering portrait of Korean immigrants, workaholics who are both seduced by America's material promise and repelled by its materialistic frenzy. The Korean father's impossible dream of racially pure children who succeed in America's main stream is heartbreaking indeed. Raban never lets us forget that in the New World, there are no half measures – to win a new identity you must shed the old one.

This is by no means a gloomy book, however. There is much to treasure is Raban's America, especially the warmth of its people, as well as the way it lies open to continual rediscovery. Perhaps Raban's real verdict lies in the author's notes, which claim that he is now living in Seattle. Hopefully that immigrant novel is in the works.

Stephen Amidon

Well told tales of derring-do

THE RAPID melting of communist rule in the Balkans has brought old skeletons embarrassingly to light. Most of us have grown up accepting that Tito in Yugoslavia and Hoxha in Albania, ruthless and repressive as they might have become later, were the only credible counter to the Axis occupation of their countries. Tito in particular, because of his break with Stalin in 1948 was seen as the "good" communist. Michael Lees, in his robustly-written memoir, sets out to show that we have been deluded all this time.

Lees was one of that romantic band of soldier-adventurers whom Special Operations Executive parachuted behind the lines to help the guerilla resistance. Lees was sent to help not Tito but General Draza Mihailovic, leader of the royalist Chetniks, at the very time that Winston Churchill was switching his favours to the communist partisans and thus materially contributing towards their successful bid for post-war control of Yugoslavia.

It is plain that Lees has never forgiven that act of British betrayal. Mihailovic, he says, was militarily a far more credible adversary of the Germans (while Tito had been in secret contact with them) but was almost overnight relabelled a traitor and collaborator – a label which has stuck to this day.

And why? Because, he suggests, SOE Cairo was officered by left-leaning intellectuals, not to mention the brilliant British Communist James Klugman, who swallowed Tito's propaganda about Mihailovic. The switch was concluded, says Lees, when the academic Capt "Bill" Deakin, a friend of Churchill's, bent the great man's ear during a visit to Cairo. Lees claims his suspicions of a plot and a subsequent cover-up by the Foreign Office are confirmed by his discovery of highly-sensitive papers (possibly Klugman's own) in the Public Record Office 40 years later.

The conjectural, unsystematic and repetitive style of his book will doubtless encourage some to dismiss its author as a bitter old soldier who has belatedly woken up to the fact that he was used. But that would be unjust. There is a vigour and honesty about this amateur history that compels respect – and an answer.

With Lees' book to hand, it is impossible to read the memoirs of the other Balkan BLOs (British Liaison Officers) with other than peeled eyes. Peter Kemp's life has been devoted to fighting communists by gun and by pen since he signed up for the wrong side in the Spanish Civil War.

THE RAPE OF SERBIA
by Michael Lees
Harcourt Brace Jovanovich £19, 380 pages

THORNS OF MEMORY
by Peter Kemp
Sinclair-Stevenson £16.95, 380 pages

ONE MAN IN HIS TIME
by Xan Fielding
Macmillan £17.99, 220 pages

As in Yugoslavia, so in Albania. But in these well-told tales of derring-do Kemp does not waste much time wondering whether the brass hats hadn't got their sums wrong. However, he does admit to being "astounded" by the presence of Klugman in Cairo, and he does discover, once behind the lines, that the war of liberation was already becoming a war of succession.

Some of Kemp's more hair-raising exploits were carried out in the company of Billy McLean, another Albanian BLO, who is the subject of Xan Fielding's biography. Like Lees, McLean was sent to advise the royalists, whose leader, Abas Kupi, was denounced by Enver Hoxha and dropped by the British. At least McLean was able to help his man escape when a vital telegram was deliberately suppressed by SOE, Cairo.

If McLean himself wondered what on earth was going on, we never hear of it. Indeed, the biographer appears so dazzled by his subject (and friend) that of the man inside the hero we learn almost nothing at all.

Christian Tyler

In the salerooms: indigenous and animated art in New York, manuscripts in London

Fashions rule the asking prices

THERE IS now so much talk about "the art market" and whither it is going that people almost seem to have forgotten that art is there to be enjoyed and not just rated in terms of being a bull or a bear market.

The pursuit of art that is "in" also leads to extraordinary anomalies when it comes to prices and this is particularly true in the case of American painting. Pictures that were created within the last 20 or 30 years fetch sums at auction in millions of dollars; but 19th and early 20th century American pictures are still very undervalued. Put another way, for the price of one 35-year-old painting by Willem de Kooning ($20.6m) one could assemble an entire gallery of fine American pictures from the period 1840-1920.

These 80 years might be claimed as the most interesting in American history when the continent was truly discovered and cities and institutions were built up that made America great. American painters are part of that history. They recorded "America the beautiful" when America was still beautiful. They searched for the picturesque in the Hudson Valley (Cropsey, Cole and Church), discovered the Grand Canyon and the Rockies (Bierstadt and Moran), explored new frontiers west of the Mississippi (Caleb Bingham), in New Mexico (Ufer) and even journeyed to the Arctic (William Bradford).

They depicted the life of the American Indian (Brush and Farny), the Wild West (Charles Marion Russell), and bourgeois Americans at home (E. Lamson Henry and Enoch Wood Perry). They had their own brand of Impressionism (William Merritt Chase, Mary Cassatt and Childe Hassam) and developed a whole school of still-life painting (Harnett and Dunning). These artists are as much a part of American culture as is Mark Twain, and one would have thought that their work would be at a premium with American collectors. But this is not so.

It is true that some very high prices have been paid for certain works by American artists: $3.52m for a watercolour by Thomas Eakins and $10m for one of his paintings; $8m for a landscape by Frederic Church, $2.64m for one by Albert Bierstadt. But these high prices are exceptions and it is still possible to pick up examples by most painters for about $100,000.

Three auctions of American paintings will take place in New York before Christmas: at the William Doyle Galleries on December 5 and at Sotheby's and Christie's (November 29 and 30). In all of these sales there are choice pickings. At Doyle's there are several pictures by Albert Bierstadt: one of Indians spearfishing in the Rockies is estimated at $50,000-$80,000, another – "The Matterhorn at Sunset" – an even more reasonable estimate of $20,000-$30,000. There are three Bierstadt paintings including a very dark mountain scene (est $150,000-$250,000) at Sotheby's but the most attractive works are at Christie's: a view in the Sierra Nevada (est $40,000-$60,000) and a large "Sunrise on Mount Tacoma" ($80,000-$120,000).

Also at Doyle's, but on a much more modest scale, are two Californian landscapes dating from the 1890s, Yellowstone and Yosemite, by Thomas Hill (est $8,000-$12,000); a Hudson River landscape by George Innes ($30,000-$50,000); and a classic signed still-life of wild roses by Martin Johnson Heade with a very low estimate of $7,000-$10,000. By comparison one of Heade's most typical works – the hummingbird posed with an orchid in a natural setting – which is at Sotheby's is estimated at $300,000-$400,000. There are three typical animalier pictures by Arthur Fitzwilliam Tait (ests $25,000-$30,000) at Doyle's. This artist, who was born in Liverpool, went to American in 1850 where he found his true metier as a painter of bear, moose, deer and trout in the wood and waters of Upstate New York. Sotheby's have a delightful canvas by him (est $25,000-$40,000): it depicts three unsuspecting woodcock about to be snatched by a setter.

Other top lots at Sotheby's are a Maine landscape of 1851, by Frederic Church (est $1.5m-$2m) and a large view of the Grand Canyon painted by Thomas Moran in 1904 (est $700,000-$900,000).

Another Grand Canyon picture by Moran at Christie's (est $250,000-$350,000) demonstrates more vividly the artist's indebtedness to Turner. Notwithstanding the fact that Moran was born in Lancashire he declared "I'll paint as an American, on an American basis, and American only." American collectors should develop that same sense of pride.

Homan Potterton

THE ANIMATED cartoon is enjoying something of a renaissance in American popular culture, which coincides nicely with the vintage original animation art auction to be held in New York at Christie's East on November 28.

Most of the material offered consists of animation "cels": the individual celluloid sheets painted with an image of a popular character, and occasionally backed with the animator's original watercolour background.

The fact that any animation art survives is a small miracle. Celluloid was an expensive commodity in the early 1930s, and frequently the cels were simply washed off to be used again. The background art and preliminary sketches were usually destroyed.

The only animation studio to retain some original artwork was the Walt Disney studios, who licenced the sale of cels from *Snow White and the Seven Dwarfs* in 1937 to Courvoisier Galleries. Eventually, Courvoisier Galleries released Disney studio art of all kinds from other productions, although often the cels were trimmed and fitted with new airbrushed backgrounds that approximated the look of the original film scene. According to Joshua Arfer, Christie's animation art specialist, what exactly went on the screen is what most collectors want: a good cel with an original watercolour production background is much more desireable than a great cel against a Courvoisier background.

The rarest and most sought after material remains any Disney material from the pre-Courvoisier era. A 1935 colour cel with background of Mickey Mouse with a barnyard orchestra from the short Tee Band Concert realised $24,000 at Christie's in 1985, and has recently been resold privately for $100,000. Prices have climbed dramatically ever since, the most notable being the $286,000 paid for a black and white cel of Donald Duck from the 1933 film, *Orphan's Benefit*, the only known black-and-white image of Donald Duck to survive from this film.

"Black and White Cels are the most sought after," says Arfer. Disney had exclusive rights to full Technicolor from 1932 to 1935 and it was in that last year that most of the black and white material was discarded: only about 30 black and white cels are known, of which Christie's has sold six.

Coinciding with the restored 40th-anniversary re-release of *Fantasia*, Arfer is offering 48 lots of material from a full scale cel with background of *putti* attending a Betty Grable-lookalike Centaurette (est. $10-12,000) to pastels used on the animator's "story-boards" to mark the action of each sequence, the at $2,500-3,500.

"People most want identifiable characters first, primarily Mickey Mouse and Donald Duck" says Arfer. Some characters, like Walter Lanz' Woody Woodpecker, are not as popular as they were, and conversely, the television animation of Hanna-Barbara's *Flintstones* and *Jetsons* are now very "hot". "But we generally shy away from most television animation material because the quality is so inferior. And some early material is so arcane, despite great rarity, because they don't feature well-known characters.

Arfer believes that material from Disneys' *Silly Symphonies'* shorts of the 1930s is especially undervalued. "These were Disney's testing grounds for ideas that would later be worked up more fully in his feature films. Often they are as lavishly and carefully executed as cels from *Snow White* or *Fantasia*, but they are known and appreciated by very few people."

Paul Jeromack

Bestiary to beat record

NEXT THURSDAY Sotheby's offers for sale one of the most important English medieval manuscripts to appear on the open market for years – a *Bestiary* written around 1250 and for over two centuries in the collection of the Dukes of Northumberland. It carries an estimate of up to £1.2m, but Christopher de Hamel of Sotheby's is notoriously cautious and it would be no surprise if the *Bestiary* beat the record paid for a manuscript produced in England, the £1.54m which secured the de Bohun "Book of Hours" in 1988.

While other sectors of the art market wilt in line with western economies, manuscripts and miniatures remain a oasis of calm. De Hamel admits that there once was a recession in this field, in the 1530s, and that the 1820s were no boom period, but in the 800 in which such manuscripts have been traded their price has tended to rise. In recent decades an annual appreciation of 10 per cent is the rule of thumb.

Sotheby's should know. It has been holding sales of manuscripts for almost 250 years and in every auction it welcomes back old friends. On Thursday it is offering *Le Pèlerinage de la Vie Humaine*, produced in the late 15th century for the Queen of France. It has an estimate of £150,000-£200,000: in 1964 it sold for £7,500. This predictability is underpinned by the fact that western manuscripts are an international market dominated by serious collectors. The only obvious speculator was the British Rail Pension Fund which bought in the 1970s and sold its collection for a very healthy profit to John Paul Getty Jnr.

He is a likely bidder for the *Bestiary*, competing with the Museum in Malibu, California, funded by his late father. The British Library is unlikely to lead a campaign to keep the Bestiary in the UK: it is well stocked with such manuscripts for the Bestiary was a favourite subject for English scribes. The text, enlivened with 112 illustrations, offers an intriguing insight into the medieval mind – hedgehogs gather food for their young by rolling on top of grapes in vineyards; unicorns can only be caught by virgins and are very rare.

Although Sotheby's has a cut off value for lots of £500, de Hamel tries to slip in some cheaper items to encourage new collectors. You can still buy a leaf of a 13th century Bible for around £30 A charter of Edward IV, embellished with a rather tattered Great Seal is around £600, and another of Henry II, witnessed by the King and the young Thomas Becket in Lincoln in 1157 is around £5,000; charters are currently under-valued. –

In contrast the most common manuscripts of the 13th century, Bibles, have risen in price in the past decade as a few American evangelical collectors compete for the best examples. The manuscript market in London is fuelled by experienced dealers, notably Maggs and Quarritch. A relatively new dealer, David Mellor, currently has in stock what he considers to be a "first edition" of the Bible, a manuscript produced around 1225 in Paris by the Alexander workshop, which supplied the growing secular demand for Bibles by production line methods rather than relying on the slow spiritual penmanship of a single religious scribe. This Bible, the first to fix on the format and layout we accept today as standard and one of only five known, is priced at approaching £400,000.

Christie's is also offering a few medieval manuscripts on Wednesday including a fine Book of Hours, produced in Paris around 1530, which is rich in illumination. It would be a disaster if this book was ripped apart for sale as individual examples of 15th century art, the fate of so many atlases and 18th and 19th century illustrated volumes.

Antony Thorncroft

Handsome handout for Heritage

THE NATIONAL Heritage Fund, the last bastion for British art treasures threatened with export and areas of natural beauty in danger from developers, has just received a handsome handout. For years it struggled on with a miserly £3m a year from the Government. But from April its grant has been raised to £12m. The phone has scarcely stopped ringing, with worthy campaigns seeking a donation.

The extra cash has come just in time. The Fund has only £500,000 in the kitty for rescue operations in this financial year. There is around £24.5m in the bank, but £17m is the core endowment, essential to produce some investment income and to be raided only if there is an absolutely major emergency. And £7m more has already been committed to such good causes as the Mappa Mundi, which will cost the Fund £2m to keep at Hereford, and £400,000 for the restoration of the Octagon at Ely Cathedral.

Even so the £12m is very timely, coming as it did in a week when just one item of obvious importance to the heritage, Constable's painting of "The Lock", sold for over £10m at Sotheby's. The Fund will still not have the resources to save "The Lock" if its new owner, Baron Thyssen, decides to take it abroad, but at least it can now consider whether it wants to play a role in stopping the export of other major works.

When Canova's The Three Graces was bought by the Getty Museum of Malibu last year for over £8m the Fund was forced to look the other way. This week the monthly meeting of the Trustees could consider supporting the Fitzwilliam Museum's campaign to keep in the UK the Badminton cabinet, sold to Mrs Johnson of Texas for £8.58m at Christie's in July. It is possible that the Fund will offer over £1m to get an appeal up and running.

It is an ironic situation. In the past the Fund's lack of money, and the astronomical sums paid for important art treasures at auction, placed it on the sidelines. Now it suddenly has more cash at a time when prices at auction are tumbling as the recession bites. "The Lock" could mark a sea change. Sotheby's valued the painting at £18m and told the owners, the Morisson family, that it should sell for up to £15m at auction. In the event the family received less than £10m and, after tax is paid, could well be worse off than if it had arranged a private treaty sale with a public art gallery.

It is the same story with Benjamin West's portrait of General Monckton, estimated at up to £1.5m by Christie's but unsold last week. It had been on loan to the Army Museum and, with initiative on the part of the museum and public spiritedness on the part of the owners, a deal might well have been arranged which would have left the family richer and the Museum without a blank space on its wall.

The Fund is always more prepared to contribute towards such private deals rather than to indulge in last minute attempts to keep treasures in the UK after they have sold publicly at auction. The Acceptance-in-Lieu proposals, under which the Treasury reluctantly accepts works of art to the value of around £12m a year instead of tax, and the private treaty proposals, which enable owners who sell items directly to museums to make substantial tax savings, need to be better known. They might well become so, as the siren voices of the auction houses sound less persuasive following the failure of important lots to sell. The Heritage Fund will find its greater, but still woefully inadequate, resources under constant pressure from worthy causes in the next few months.

It could live with the new climate. It likes the behind the scenes negotiations. Its major successes in recent months have included hurrying, at a cost of £1.38m, the Trumbull papers into the British Library less than 24 hours before they were due to appear under Sotheby's hammer, and persuading the Duke of Wellington to accept £310,000 for the official report on the Battle of Waterloo written by his ancestor the morning after the carnage.

There is now more confidence about the preservation of the British heritage than for some time past. The new Minister for the Arts, Mr David Mellor, is keen to transfer control on art exports away from the philistine Department of Trade and Industry and place them within his own department. Falling saleroom prices should lessen treasures slipping down this route. And the Heritage Fund has more muscle. These are timely changes as the European Community attempts to thrash out a common policy on the movement of art before the trade barriers come down in just over two years time.

Antony Thorncroft

'Act of Love' by Egon Schiele; pencil and body colour on paper

The power to disturb

William Packer hails Schiele and his contemporaries at the RA

WITH HUGE crowds still flocking to *Monet in the '90s*, as that wonderful show enters its last two weeks, the Royal Academy now piles Pelion on the Ossa of its natural distinction with the second of this winter's major exhibitions. *Egon Schiele & his Contemporaries* (daily until February 17, except for the three days of Christmas: sponsored by the Austrian spectacle firm, Silhouette, in association with Austrian Airlines) should prove equally successful in popular terms, for though utterly different and in some obvious senses more difficult and even shocking, it is no less extraordinary. Yet in this last decade of our troubled century, the power to disturb and offend of these beautiful things, made with unblinking honesty some 80 years ago, is indeed remarkable.

The entire show comes from the collection that Dr Rudolph Leopold, of Vienna, has put together since the Second World War. Today, in the light of the universal popularity of Mahler and the general interest in all the arts of the Vienna Secession it is easy to forget just how recent that critical revival has been. Dr Leopold's prescience in this respect is as remarkable as it was clearly fortunate. He collected not only Klimt and Schiele, but their contemporaries and now possesses the finest overview of Secessionist painting and drawing in private hands.

Those contemporaries of the title, of whom, Klimt apart, Kokoschka is the most familiar, supply not so much the substance as the background to what is effectively a celebration of the work of the one man. One or two of them are of particular interest for being so unfamiliar for artists of such quality, by their very obscurity underlining yet again how mistaken it is to see Paris as the *fons et origo* of all things in modern art.

Outstanding here is Richard Gerstl, who killed himself in 1908 at the age of 25, at just the time Schiele was first attracting attention. Thereupon he was entirely forgotten until the 1930s, and much of his work lost. Two powerfully symbolic expressionist self-portraits, nude and full-length, indicate the major artist lost to us before his time, but the group of small, densely worked landscapes, the studies of trees and orchards especially, are the more impressive, unforced in their intensity and curiously intimate.

The figure paintings and life drawings of Anton Kolig, who died in 1950 after a career as professor at the Wurttemburg Academy, are also impressive, though their expressionist bravura has somewhat more academic a quality to it – it seems the British is not the only tradition to stifle its talent in teaching.

But of them all, it is the relationship to Gustav Klimt, the older artist who, as chairman of the Vienna International Art Show committee in 1909, made Schiele something of his protege, that in the work is the more intriguing. For it is Klimt that truly ties Schiele into the several strands that derive from the Secession, the decorative and graphic on the one hand, and the Symbolist on the other. And from him too derives the overtly erotic attention to the life, in particular the female figure, with palpable its whiff of *fin de siècle* decadence and indulgence.

It proves to be Schiele's peculiar power, however, to transform what in Klimt always remains essentially decorative into something considerably more direct and profound in its humanity. It is this gift which makes him, for all the tragically brief period of his career, the greater artist. Klimt's work retains quite as much of its imaginative if ambiguous force as it does its recondite charm; with Schiele we are seldom charmed at all, but touched directly, even in the most explicit of his images, by his humanity and his truthfulness. He too remains, as was Klimt, the consummate graphic artist and designer, disposing his images across the surface to the greatest formal effect, but yet the virtuosity always serves the end.

To compare their drawings is to admire and enjoy the elder, but to be quite astonished by the graphic maturity of the younger man, who seemed to come fully into his gift at once. And he painted as he drew, with an attack and decision that seems almost frenzied, as it was certainly inspired, until, that is, we look more closely to discover the absolute quality of control at the fingers' ends. The line is so swift and certain as to seem scarcely reconsidered, the mere twist and inflexion of the brush enough to establish the description of a mass of hair, the fall of a skirt, the turn of a thigh.

The performance as performance is enthralling, but always there is more, and we are drawn back to the image and to what it says of the human, physical condition. Alike in the fierce, sometimes gleeful distortions of the self-portraits and the male nudes, in the open sexual curiosity of the female studies, which drawings are yet poignant studies of beautiful women, in the simple portraits that are as beautiful as anything here, this essential humanity is inescapable.

Schiele died of Spanish influenza in the great epidemic of the autumn of 1918, at the age of 28, a few days after his wife whom he had been nursing through the same illness. It is tempting to rationalise that pitifully brief span as the inevitable burning-out of so ferocious a gift. But 1918 saw Schiele at the height of his powers and his sudden death was nothing but a tragedy.

ARTS

Teething troubles at the Bastille

*'I will not compromise quantity for quality' Myung-Whun Chung, music director of the new Paris opera house, tells **Andrew Clark***

HOW DO you maximise the availability of grand opera without compromising quality? The new production of *Otello*, with which the Opéra Bastille has just opened its first full-length season, offers some useful perspectives. In the space of five nights, 13,500 people have been able to hear this greatest of operas sung by today's leading exponent of the title role. The performances could be enjoyed in just about the most comfortable conditions that modern theatre-going can offer, in reasonable proximity to the stage, without sound amplification or acoustical doctoring, and at a top price of £60.

The Bastille may lack the ambience of Covent Garden or the Palais Garnier, but it is certainly not Verona or Earls Court. There comes a point when the process of maximising quantity starts to compromise the quality of what is on offer. *Otello* suggests that the Bastille has struck an advantageous balance between the two.

The cost, of course, has been enormous – not just to the French taxpayer, but to other French opera companies, all of which have had their budgets slashed; and the gap between the original aims of the Bastille project and their present realisation remains vast. Nevertheless, the building is both accessible and popular. One may quibble with some of the design features; and the acoustic fails to blend the sounds of stage and pit, or allow voices to bloom. But after all the political in-fighting during the construction phase, it is a relief finally to enjoy a high-quality performance with an enthusiastic, attentive audience of 2,700 others.

Otello did not look particularly distinguished, but it was rousingly sung and played. Myung-Whun Chung, the 37-year-old Korean whom Pierre Bergé appointed music director after the Barenboim debacle, is emerging as far and away the Bastille's biggest asset. After his success with *Les Troyens* in March, now Verdi: here were all *Otello*'s fluid contrasts – the beautifully-turned cello phrases in the suave Act II introduction, for example, or the fiery punctuation of "Ora e per sempre addio" – robustly and, where necessary, extremely softly sustained, in harmonious alignment with the work's overall proportions. Chung's support for the singers was discreet and precise, and the alert responses of the Opéra orchestra suggest he has won the musicians' loyalty.

The staging was by Petrika Ionesco, the Romanian producer-designer, who deals in a peculiar brand of fake naturalism and spectacle. The decor fitted onto the stage turntable like a tall circular cake, offering a choice of three views, each of which resembled ornate plastic (the costumes by Florika Malureanu were much more appropriate and attractive). The whole of Act I suffered from fussy choreography; the choral serenade for Desdemona was like an elaborate religious ritual, with candles, icons and incense; and the Act III ceremonial with the Venetian dignitaries took place against a background of fire-eaters and jugglers.

Some of the production's mannerisms rubbed off on Placido Domingo and Kallen Esperian in their Act I duet. Even in Act II, it seemed to be one of those performances in which Domingo was playing Domingo playing Otello. But the tragic grandeur he brings to the part, and his impassioned, ringing vocalism in the final two acts were as uplifting as ever. Miss Esperian, an American soprano who made her international breakthrough at La Scala two seasons ago, is not a subtle actress, but she is an immensely subtle singer. It is a well-produced voice, with an attractive bell-like timbre and a beguiling sotto voce. She fully deserved her ovation. Renato Bruson's musicianly Iago just about made himself heard. Bernard Lombardo's Cassio, Nadine Denize's Emilia and Romuald Tesarovicz's Lodovico were all excellent.


Placido Domingo and Renato Bruson in 'Otello'

SO *Otello* – even with the substitution of Corneliu Murgu in the title role for most of the remaining performances – is enough of a success to keep the Opera Bastille's detractors at bay. But it cannot mask the project's underlying problems. First and foremost, the task of building a repertoire is proving more arduous than expected. Of the seven productions that make up the rest of the season, five are being brought in from elsewhere, and *Le nozze di Figaro* next month will be a revival of Giorgio Strehler's Paris production of 1973 – without Strehler or his assistants to restage it. In fact, the Bastille is doing nothing that could not have been housed in the Palais Garnier. Both theatres are currently underused, but are swallowing £45m of public money this year just to keep running. And after raising seat prices to offset spiralling costs, the Government has been accused of chasing away the very people the Bastille was supposed to attract – the so-called "non-publique," who had never set foot in an opera house before.

Despite a three-month closure for adjustments during the summer, the Bastille's revolutionary technical facilities still do not work: elevators linking the stage with the vast underground storage area are not functioning, and little progress has been made to reduce electronic and hydraulic noise in the stage area. The Opéra chorus lacks a full-time director and needs an injection of younger singers, while the orchestra is 40 players short of the 170 needed to provide comfortable cover for ballet performances at the Palais Garnier. Meanwhile, the management has been accused of bad faith in its dealings with two prominent artists, the mezzo soprano, Rita Gorr, and the stage director, Daniel Mesguich.

Myung-Whun Chung offers no excuses for these problems, most of which stem from the mistakes and unrealistic expectations that have dogged the Opéra Bastille since its conception. His willingness to talk openly – some would say bluntly – about the Bastille's shortcomings has earned him the respect of the work force, and put the whole debate about the project on a more positive footing.

In an interview with the *FT* during the first week of *Otello* performances, Chung said that, as long as he was involved, he would veto any attempt to fulfil the original goal of 300 performances a season. "No matter what is technically possible, we will never be the house we were designed to be. I'm not a believer in supermarket opera. I'm a conservative musician, devoted to that area where there is a little possibility of refinement – from the decent level of most professional performances, a little bit closer to a pure form of expression. That does against a preoccupation with the number of performances. At no point will I compromise quality for quantity."


Chung: biggest asset

Chung makes it clear that his priority has been to improve the working conditions of the Opéra orchestra. *Otello* will have had the same players from first rehearsal to last performance, a unique occurrence among the world's major houses and a practice the Bastille will have to modify as its roster of performances increases. Chung has taken the orchestra on tour to Italy and signed an exclusive contract with Deutsche Grammophon to make operatic and symphonic recordings in Paris. He says the Bastille's problems are no excuse for poor playing – and the musicians have taken his words to heart: compared with the performances on offer from other leading orchestras in Paris last week, *Otello* put the Opéra orchestra in a class of its own.

Chung will be happy if British and other foreign musicians break the "closed society" of the orchestra when auditions are held in January. And he is not afraid of other taboos surrounding the Bastille: the recent price increases were "a political mistake," the current season is "no more than a training period," and there is still occasional confusion within the management about who does what. On that score Chung accepts his share of responsibility for the way Mesguich was treated, but says Rita Gorr simply asked for too much money and refused to compromise: the Bastille's fees are no higher than elsewhere.

There are other grounds for optimism. Pierre Boulez, who distanced himself from the Bastille after Barenboim was sacked, "is softening his attitude towards us," and the other Parisian theatres have shown a willingness not to duplicate repertoire. The *salle modulable* should be operational by 1993, and will be the focus of experimental and risk-taking projects; the *grande salle* will remain the preserve of the "grand repertoire," including 20th century classics, such as Berio and Janacek this season, followed by Messiaen, Shostakovich and Zimmermann's *Soldaten*. Chung recognises that the Bastille will ultimately succeed not through technology but by its artistic standards. "I consider we'll be doing very well if by the next century we've taken one solid step forward."


Alastair Muir

After 'Cats', why not? A scene from 'Just So' by George Styles and Anthony Drewe at the Tricycle Theatre, Kilburn

Fun and games in the jungle

***Malcolm Rutherford** on a musical version of the Just So Stories*

PETER LEVI, the poet and literary critic, wrote of Kipling's *Just So Stories* that they are "a kind of bad-taste parody of Darwin's theory of the evolution of species". He was absolutely right about that; what he failed to note, however, was that they had the potential for a first-rate musical. So did most of the rest of us. Yet, with hindsight, it is perfectly obvious that somewhere in the *Stories* a good musical is bursting to get out. After *Cats*, why not?

Just So by George Stiles and Anthony Drewe is not quite there yet. Like the elephant that figures in the story, it has been remarkably long in gestation. The pair of them have been working on it, on and off, since 1984. With the encouragement of Cameron Mackintosh, the objective is clearly a West End sell-out.

The Tricycle Theatre in Kilburn is a good place for a serious test. It has a very deep, open stage, just right for the ropes and ladders, coconut trees, desert island and jungle that are an essential part of *Just So*.

In the state that it has reached so far, most of the prizes will go to the costumes and the staging. It is a little like a musical pantomime, but cleverer. The costumes merge with the jungle as camouflage, so that it is not always immediately clear who is on stage. That is a good effect, adding to the magic. When they go off in search of the Limpopo River, there is an excellent pretend boating scene. Equally, when they attempt to take the Limpopo express, there is a splendid use of lighting as the pretend train comes hurtling towards the audience, only turn off at the last fraction of a second.

The star so far is Martyn Ellis, a hugely big man who plays the rhino with a slight Geordie accent. He has one of the best songs: "Can anybody think of anything nice that they can say about a rhino?" And, oddly enough, the character is not all that far away from the original Kipling text. Note Kipling's emphasis on the piggy eyes: Ellis's eyes, behind enlarged Billy Bunter glasses, are a treat.

But there are others who are good. I liked Richard Henders as the elephant's child who finally grows up, and Linzi Hateley as the kolokolo bird who finally flies. The music, by George Stiles, is uneven and openly derivative. A debt to *South Pacific* is directly acknowledged: "no-one to wash right out of my hair". There is a touch of Sondheim, especially later on, and some music hall, reminding you that Mike Ockrent, the director, did *Me and My Girl*.

A surprise that some think corny is that Kipling's "If" is sung. It has always seemed odd that a poem with that title should express such certainty, which is probably why our age is embarrassed by it. Yet it works: perhaps it should have been put to music in the first place. *Just So* may not yet quite reach the West End. It needs a little more work. But in case it never does, you should see it at the Tricycle.

An artist and his torments

*This 'Tasso' is part of a welcome trend, says **Alastair Macaulay***

LONDON MAY not be the only city in which you could see, in one week, *Macbeth*, *Miss Julie*, *Private Lives*, *Kean*, *The Rehearsal* and *The Crucible* – or plays of equal repute – as you could last week. But where else in a week could you have seen Racine's *Bajazet*, Gorky's *Vassa Zheleznova* and Goethe's *Tasso*? No, these were not West End stagings; no, the productions were not definitive. But in each case the account was serious, the translation new and accomplished. A gap in our knowledge of world drama was filled.

Tasso, a verse drama in the classical five-act format, was given by the Actors Touring Company at the Lyric Studio, Hammersmith; I caught the Saturday matinee at the end of its short run. The Renaissance poet Tasso, as James Fenton remarked in *The Independent on Sunday* this week, was revered by the Romantics; in Goethe's play (1788) – a prime example of neoclassical drama straining with Romantic intensity – Tasso is a Romantic prototype, isolated from society by sheer temperament.

Byron, in his unstageable verse-dramas, would later plunge in and glamorise such isolation from within. But Goethe, in dramatising both Tasso and his immediate circle at the court of Ferrara, makes an analysis of an artist and his torments that is far more piercing and theatrically feasible. A full house followed the matinee play intently and applauded warmly.

At once there was the pleasure of the 18th-century precision. Language is exact, never overblown. Emotion, character, morality, motives are scrutinised. The world is ordered. Moderation is what the characters praise and seek. Conversation commutes easily between present concerns and larger philosophies.

Tasso alone is not master of himself. His very genius makes him socially awkward, immature, impolite, fills him with vain fears, and drives him to needless paranoia and exile. (He is a distant relative of Molière's Misanthrope.) And yet how could it be otherwise? Tasso cannot not be a master, for he works for the Duke of Ferrara. The play examines the subtle pressures of creating art alongside less talented rivals, even for a generous and tolerant patron.

Tasso is a poignant, humane, piercing dramatisation of the conditions in which art is created. It is at its most moving on a theme that Joseph Brodsky was investigating in a recent *Times Literary Supplement*: the artist, the loved one and the muse. Tasso's art hymns an Isabella – but the play shows us two Isabellas, both of whom love him. For one, the patroness whom he adores, his friendship is the sole balm to her melancholy life. The other is full of bright ambition: she wants Tasso's poems to render her immortal. But where a Racine tragedy would concentrate on this painful dilemma, *Tasso* reaches its climax in Tasso's own self-torment. "My peace is gone; the glory is departed. The helm is shattered, the vessel splits, the deck breaks open."

Robert David MacDonald's idiomatic translation, in fluent iambics, made all of this fresh, in stylish and literate language. (But would such refined characters say "How nice" or "to deliberately misunderstand"? The actors differ on the accentuation of "Medici" and "Alfonse.") The director Ceri Sherlock and her designer Eryl Ellis set the play in Goethe's era rather than in Tasso's; but some details (Tasso's deportment, one Isabella's hairstyle) stopped me from fully believing that this was either Renaissance or Enlightenment Italy.

The acting was intelligent, lucid, though self-conscious in its effort of period delicacy. The most natural performance – in mastery of the verse, and in relaxed nobility – was Thomas Lockyer's as Tasso's opposite, Antonio. Madlena Nedeva's dulcet nightingale as Leonora d'Este became affecting in its cultivated way. I found that, as Tasso, Ian Hughes overplayed Tasso's adolescent gawkiness and made his imaginings too posey. But I believed in every turn of the play's discourse and followed it with mounting emotion.

Radio

Getting away from current affairs

"THEY'RE TURNING Radio 4 into a news and current affairs programme," said one of the disgruntled listeners who write to Chris Dunkley's *Feedback* on Radio 4 every week. Well, news there had to be after Thursday, and current affairs were chiefly superior what-were-your-feelings interviews with senior Tories, but these things are better covered on other pages. In my area, I counted some 13 plays on Radio 4 between last Saturday and yesterday, including repeats, but excluding *Citizens* and *The Archers*. They took up a total of 11¾ hours.

There were the Forsytes, of course, and a Sherlock Holmes, *A Case of Identity*. *Arthur – the King* gave us the story of Sir Tristram and Isolde (Rupert Fraser and Sarah Badel). I said last week that these tales would be better than the introductory one, as they cover only one story each. Tristram's tale was told largely as we know it from Malory (or Wagner), with appearances by Sir Pelinore and Sir Lancelot that I thought made the telling less coherent, however authentic; and I have to say that I do not enjoy Graeme Fife's writing, half prose, half verse. But still, a poignant tale.

The Monday Play was Gillian Richmond's *Moving Along*. Teacher Jenny (Samantha Bond) lives happily with WPC Wendy (Amanda Redman), and two things assail their mutual content – Wendy gets engaged, and Jenny is assaulted in a churchyard. Jenny becomes nervous about going out at night, even to Wendy's engagement party at the flat she means to move into. This so annoys Wendy that she declares she will never speak to Jenny again; but later, as an official police decoy for Jenny's assailant, she is attacked and hurt by him. Where does she go for rest and consolation? Why, to Jenny's. A sentimental piece, rather naive, but pleasant enough. Janet Whitaker directed.

On Tuesday we had a rather good Thirty-minute Theatre, *Love to Madeleine* by Craig Warner (a winner in the BBC's 1988 Young Playwrights' Festival, and of a Giles Cooper Award last year). It conformed to the basically simple pattern usual in that slot, this time a threesome for wife, husband and lover, with a shaggy-dog element subtly built in. The three were Miranda Richardson, Richard E. Grant and Philip Davis, the director Andy Jordan.

Lobby Talk by Juliet Ace and Vic Aiken, on Thursday afternoon, was a colourful piece about life among the Press in the Hotel Commodore, Beirut, in the summer and autumn of 1982. The atmosphere of wartime reporting was well evoked, largely no doubt by Aiken, who spent time in Lebanon as a correspondent for ITN. There was modest romance between star reporter Sam of the *Recorder* and Julia from our Embassy, switching to disapproval of Sam's later behaviour. We had small arms and artillery. Above all we had Coco the parrot, able to understand a dozen languages but only to comment in its mind. Coco had a plot of his own, but he was mostly used for observational soliloquy. A lovely play, I thought, directed by Shaun MacLoughlin.

I mustn't go on about Radio 4 plays any more, except to point out what a generous allowance I think we are given, and how satisfactory they mostly are. There was good drama on Radio 3 this week too, but the most interesting item there was Monday's *Third Ear* interview with Peter Brook by Paul Allen.

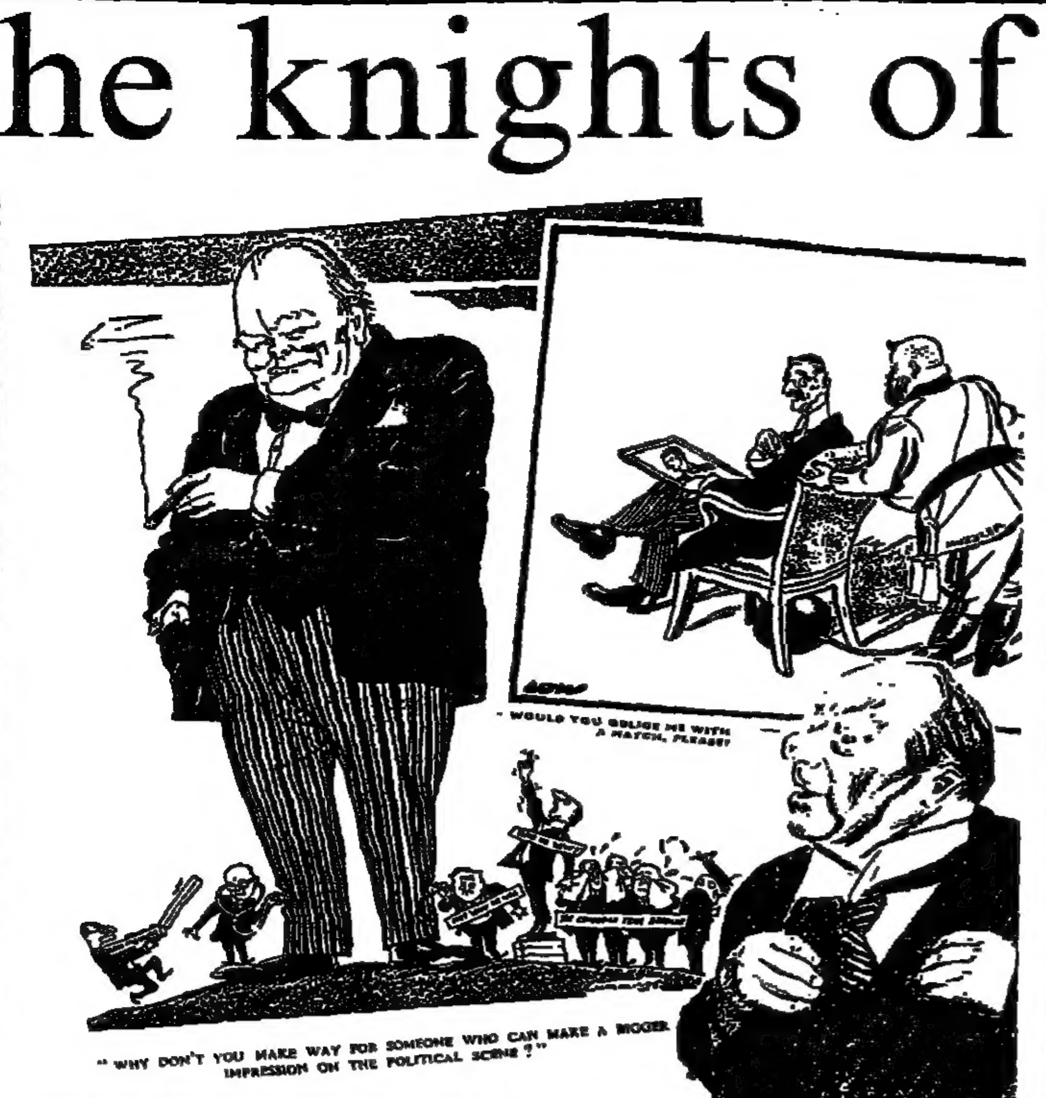
It began, naturally, with his French-language *Tempest*, (covered in these pages from Paris, not Glasgow). In spite of the magic, Brook said, this was not a play for children; it was like an Oriental fable presenting serious issues in a light way. Prospero's retirement was not "like God giving up". He had been a bad duke, preferring his magic to governing the dukedom; now he had learned better, and was content to leave the state to those who had ruled it well. Black actors were good in parts like Ariel, for their people tended to accept the spiritual world as normal.

In general, Brook claimed that he could not direct without actors. "I see that something I've done is no good, and do it again." Relevance must only be with deep matters. "When you are touched, you are with the naked truth." And next? The "theatre of neurology," with a mention of Oliver Sacha's *The Man who thought his Wife was a Hat*.

B.A. Young

Chess No. 848:
1 Qf8. If Ke4 2 Ke6 Kd4 3 Qb4. If Kxe5 2 Qc5+ Ke4 3 f3. If Kg5 2 Qb4 Kh5 (Kf5 3 Qf4) 3 Qh4. If Kg4 2 Qh6 Kf5 3 Qf4.

The knights of the long knives



Journalists and cartoonists have played a big part in the downfall of figures from Churchill and Chamberlain (top left) to Macmillan and Home (far right). Balfour (bottom left) lost three elections but fought on

*Does the Tory Party really like leaving it to the men in suits when a leader falls from favour? **John Campbell** looks at how Conservatives have dealt with this often messy business in the past*

IT USED to be thought a peculiarity of totalitarian regimes that they lack procedures for disposing of spent leaders without mess. Brezhnev, Mao and Franco all lingered on to die in harness, long after they had lost the capacity to govern; Khrushchev fell to a Kremlin coup organised by his party's "men in suits". Thatcher's fate shows that getting rid of leaders can be almost as difficult in a democracy.

Many people have assumed that a democracy enables the people to throw out a leader whose time has passed; or that the leader will anticipate the humiliation and retire gracefully. Presidential democracies try to avoid the problem by limiting the incumbent to a fixed term. But this can make it especially embarrassing to get rid of a bad apple, such as President Nixon, in mid-term.

The British parliamentary system has tended to rely on the public's appetite for novelty to ensure a healthy turnover. Unlike a president, a parliamentary leader becomes vulnerable as soon as his or her authority within the party begins to slip. Yet with no settled conventions for replacing leaders it has often been a messy business – particularly in the Tory party, which traditionally prefers gentlemen's agreements to written rules.

The Tories have managed worse in this respect than Labour, which is used to going by the rulebook and has achieved its change-overs with exemplary smoothness. Attlee perhaps stayed on too long in opposition after 1951, but he had his reasons – basically to outlast Herbert Morrison – and was put under no serious pressure to go before 1955. Wilson's resignation, while still Prime Minister in 1976, was unexpected, but the six-way beauty contest which followed was uncontentious and produced the expected result. Michael Foot and Neil Kinnock likewise succeeded without acrimony. With controversy over the composition of the "electoral college", it may be different next time.

However, the Tories have rarely managed to change their leaders, by whatever method, without controversy; and they have often come up with the most surprising winner. The most outlandish of all, perhaps, was Disraeli in the 1840s. But the pattern for this century (which has already thrown up Baldwin, Churchill, Macmillan, Home, Thatcher and now who knows?) was set in 1911, when the aristocratic Arthur Balfour was succeeded by that gloomy Canadian businessman Bonar Law.

Having lost three general elections, Balfour was ripe for replacement: nevertheless there were many who thought it shameful that a former Prime Minister should be forced out by a press campaign.

Sir Alec Douglas-Home's resignation in 1965 was the result of a similar but less vociferous whispering campaign following the loss of the 1964 election. No men in suits forced him to go, but he realised that the whispering would not stop until he did. Baldwin, by contrast, stood his ground against strenuous attack in 1930, exploiting the divisions of his party critics. Had he been obliged to face re-election, he might well have lost – as Edward Heath did in 1975.

Changing leaders in opposition, however, is a relatively private matter compared with replacing a Prime Minister. It is this operation – which the Conservatives have performed no fewer than six times this century before this week – which offers the most interesting precedents. On two of those occasions – Bonar Law's resignation on grounds of illness in 1923, and Baldwin's on grounds of age in 1937 – the departures, at least, were uncontentious. Bonar Law, who was succeeded by Baldwin, died within four months. Baldwin held on to see the new King crowned following the abdication crisis and was succeeded uncontroversially by Chamberlain.

Three years later Chamberlain's fall was the most famous case – until this week – of a Conservative Prime Minister being forced out by a vote, on this occasion on the floor of the House. There was actually a seventh instance where the Tory party removed a sitting Prime Minister and replaced him with one of their own. This was Lloyd George. His fall in 1922 was precipitated – as in the case of Thatcher – by a revolt of the Tory party against its own leader – Austen Chamberlain – who was thereby unseated too. The Tory party split, the Coalition Government resigned and Bonar Law (who had been in retirement for a year) simultaneously displaced Lloyd George as Prime Minister and Chamberlain, his loyal deputy, as Tory leader. This extraordinary coup is the episode from which the celebrated 1922 Committee of Conservative back benchers takes its name.

Few complained then that it was a shocking way to treat a war-winning Prime Minister, engaged in an international crisis in the Middle East. But, of course, Lloyd George was not a Tory.

Eighteen years later, when Neville Chamberlain was in his turn defeated in May 1940, he retained the support of a larger majority of his party than Thatcher did last Tuesday: but still he had to go. This was an exceptional event precipitated by the stress of war. Only 33 Tory MPs (out of 430) voted against him and another 60 abstained; the Government still had a majority of 81. In the circumstances this defection was large enough: there was an overwhelming case for a coalition and Labour would not serve under Chamberlain.

Churchill's departure, in 1955, although technically voluntary, was deeply unwilling. This was the longevity problem in its purest form. The grand old man, the saviour of his country, was beyond the normal constraints of party pressure. He was 80; he had suffered several strokes; he had been leader for 15 years and Prime Minister for nine. His colleagues desperately wanted him to go, but only Harold Macmillan dared to tell him so.

Eden's succession was automatic. His departure, less than two years later, following the Suez debacle, was an interesting example of party pressure disguised by illness. Certainly, Eden was unwell, but he returned from convalescence in Jamaica still determined to carry on. But authority was irrevocably eroded. In the absence of an election system,he would probably have been removed by the men in suits, if his doctors had not pre-empted them.

Macmillan, who followed Eden, was another case of a successful prime minister – the longest-serving at a single stretch since Asquith – who did not know when to stop. His hand too was eventually forced by illness, but only after he had determined to face down party calls (now backed by opinion polls) for him to retire. He regretted that decision for the rest of his long life, blaming the doctors for persuading him that he was more seriously ill than he really was. His ability to carry on so long demonstrates again the weakness of party nods and winks alone to shift a Prime Minister – even one who had sacked a third of his Cabinet overnight and become as obviously superannuated as Macmillan had by 1963.

But the fiasco that followed Macmillan's sudden departure in October 1963 changed everything. First, there was the undignified circus at the Blackpool Tory conference, with rivals throwing their hats and coronets into the ring (Hailsham made a particular exhibition of himself); then followed the astonishing "emergence" of Lord Home as the sick Prime Minister's favoured successor, thrust on the party as the last stab in a vengeful vendetta to thwart Rab Butler. All this left scars from which the party did not recover for 15 years. (The present rumpus may well have the same effect.)

To ensure that such a discreditable farce could never be repeated, the present procedure for electing the leader was adopted in 1965. The idea was to emulate Labour's open contests, taking the decision out of the hands of the party grandees – whom Iain Macleod bitterly dubbed the "magic circle" – and giving it to MPs, whose confidence the leader must command.

The purpose of the now controversial rule that to win on the first ballot, a candidate must command a 15 per cent margin was intended to ensure that he (or she) enjoyed a clear superiority of support. By an extraordinary oversight, the party failed to follow Labour's example in banning contests during periods of office. It was never imagined that the procedure would be used against a sitting Prime Minister.

The first use of the new procedure in 1965 was a model. Ted Heath (once again the underdog) led Reginald Maudling by 150 to 133 on the first ballot, with Enoch Powell attracting 15 votes. Maudling could have required a second ballot but, in the spirit of a thoroughly gentlemanly contest, conceded. The party congratulated itself. The procedure had worked well, partly because the party was in opposition, partly because there was no incumbent seeking re-election.

However, it was a different matter in 1975, and a good deal less gentlemanly, because this time there was an incumbent who firmly expected to see off his challenger. When Heath trailed unexpectedly on the first ballot (130-119, with 16 for Hugh Fraser) the result vindicated the system. William Whitelaw, Jim Prior, Geoffrey Howe and John Peyton intervened on the second ballot, but this only confirmed that Thatcher had seized the initiative. Heath's supporters reconciled themselves to the new leader. The peasants had revolted, but the only blood on the carpet was Heath's.

So the acrimony of this week's contest is the result of the system being triggered against a leader in office. This was unprecedented, but quite legitimate. The Tory party must be entitled to change its leader without waiting for illness or political defeat. The 1965 procedure affirmed that the leadership was not to be regarded as a freehold. The messiness surrounding Thatcher's defeat arose not from the system, not from the 15 per cent rule – which is a very modest hurdle to expect a sitting Prime Minister to overcome – but from the fact that the party was badly split, as proved by the fact that the election machinery had to be invoked at all. This was Thatcher's own doing, the result of her increasingly autocratic personality exacerbated by her exceptional longevity.

It comes back to the original question of how to get rid of an exhausted, discredited or, in this case, simply divisive leader who shows no sign of recognising that she would serve her party and her colleagues best by voluntary withdrawal. Before the 1965 voting system was instituted, several Prime Ministers stayed on too long. Even now, the party was for too long honourably reluctant to use it. Indeed, had it existed in Churchill's or Macmillan's day, they would still have been reluctant to use it.

The Tory party really prefers to leave it to the men in suits. Even this week they moved in at the last to save Thatcher from impaling herself and the party on a second ballot. For a long time before, she had defied them, just as Churchill and Macmillan did.

Although Thatcher's health and energy were undiminished, even after 11 years in Downing Street, there was nothing for it but a vote. Fortunately for the pretenders still inside the Cabinet there was a credible challenger outside who could initiate the process. For the electoral process puts a premium on rebellion, as Thatcher herself proved in 1975.

It remains to be seen whether, by standing down in time, she has given her favoured heir John Major time to overtake her bold assassin, Michael Heseltine. Even if Major wins on Tuesday, however, the conclusion will still be that she hung on too long. She could have achieved the same result less bloodily six months ago; as it is she may very well not achieve it at all.

■ *John Campbell is writing a biography of Edward Heath.*

Next week Norma Cohen will respond to the many letters about her article on top public schools published in the Weekend FT on November 17.

TELEVISION & RADIO

SATURDAY

†Indicates programme in black and white

BBC1

7:30 am Paddington Pets 7:35 Babar. 8:00 Breakfast Serials. 8:35 Bravestarr. 9:00 Going Live! 12:12 pm Weather

12:15 Grandstand featuring 12:20 Cricket First Test (highlights of the second day's play between England and Australia); 12:40 Racing from Newbury; 12:55 News; 1:00 Snooker (UK Championships); 1:10 Racing from Newbury; 1:25 Rallying; 1:45 Racing from Newbury; 2:10 Rugby League (Great Britain v Australia at Elland Road); 3:50 Football; 4:00 Motor Racing 4:15 Snooker; 4:40 Final Score 5:05 News 5:15 Regional News and Sport 5:20 The Flying Doctors 6:05 The Noel Edmonds Saturday Roadshow 6:50 Every Second Counts 7:25 Challenge Anneka 8:15 Film: "The Money Pit" starring Tom Hanks and Shelley Long 9:45 News and Sport 10:05 Ben Elton, The Man from Auntie 10:35 Snooker 11:50 Film: "Up the Front" starring Frankie Howerd and Zsa Zsa Gabor 1:15-1:20 am Weather

BBC2

9:00 am Open University 10:55 Holiday Outings. 11:05 Pitfalls of a Sporting Life. 11:20 Balloon 11:50 The Honeymooners. †12:15 pm Film "The Unsuspected" starring Claude Rains 1:55 Discoveries Under Water 2:45 Mahabharat (in Hindi with English subtitles) †3:25 Film. "The Enchanted Cottage", starring Dorothy McGuire and Robert Young 4:55 Snooker. 6:00 Late Again. 6:45 Newsview. 7:30 The Ring of the Nibelung (with Radio) – the ten-part screening of Wagner's operatic cycle in Nikolaus Lehnhoff's Bavarian State Opera production continues with Act 1 of 'Gotterdammerung' 9:45 Saturday Night Clive. 10:30 Pears on a Willow Tree. 11:20 Twin Peaks. †12:20-2:55 am "Onibaba".

LONDON

6:00 am TV-am Breakfast Programme. 9:25 Children's ITV: Motormouth. 11:30 The ITV Chart Show 12:30 pm Posh Frocks & New Trousers. 1:00 ITN News, National Weather. 1:05 Local News and Weather 1:10 Saint & Greavsie. 1:40 Sportsmasters. 2:10 Rags to Riches 3:05 Saturday Matinee Film: "One Cooks, The Other Doesn't" 4:45 Results Service. 5:00 ITN News, National Weather.

5:05 Local News and Weather. 5:15 Disney Cartoon Time. 5:20 The New Adventures of Black Beauty. 5:50 Catchphrase. 6:25 Blind Date 7:25 Beadle's About. 7:55 Frederick Forsyth Presents.

9:50 ITN News and Sport followed by National Weather. 10:05 Local Weather. 10:10 Frankie Howerd On Campus. 11:10 Boxing: Herol Graham versus Julian Jackson for the WBC Middleweight title 11:55 Philip Marlowe: Private Eye. 12:55 am Golf

CHANNEL 4

8:00 am Transworld Sport. 9:00 News Summary 9:03 Channel 4 Racing: The Morning Line. 9:25 Sing and Swing. 9:30 Same Difference. 10:00 Check Out. †10:30 Film: "Life Begins for Andy Hardy" with Mickey Rooney 12:25 American Football Red 42. 12:55 Channel 4 Racing. 2:50 Film: "Kid Millions". 4:40 Four-Nations UK. 4:50 RA. The Path of the Sun God 1 5:10 Brookside. 6:30 Right to Reply. 7:00 The World This Week. 8:00 Adventures: Revenge of the Rain Gods. 9:00 L.A Law. 10:00 Four-Nations UK: State of the Art 1 10:30 Tidy Endings. 11:30 The Week with Jonathan Ross. 12:05 am Snoops. 1:05 The Word.

S4C WALES

ANGLIA

BORDER

CENTRAL

11:55 "Film: In the Doghouse" starring Leslie Phillips and Hatti Jacques.

CHANNEL

GRAMPIAN

GRANADA

HTV

SCOTTISH

12:30 pm NB. 2:10 Coronation Street. 3:05 Saturday Cinema on Scottish: "An Alligator Named Daisy" ...

TSW

TVS

TYNE TEES

ULSTER

YORKSHIRE

12:30 pm The World of Golf. 2:10 Coronation Street. 10:05 Film: "Carry on Regardless" ...

BBC RADIO 2

BBC RADIO 3

Prokofiev (Violin Concerto No 1 soloist Itzhak Perlman) 2:25 Interview with Robert Ponsonby 2:45 Tchaikovsky (excerpt from Sleeping Beauty), Shostakovich (Symphony No 11) ...

BBC RADIO 4

Tour. 4:30 Science Now. 5:00 Largely Wel... 5:25 Week Ending. 5:50 Shipping Forecast. 5:55 Weather. 6:00 News: Sports Round-up. 6:25 Citizens. Omnibus Edition ...

BBC RADIO 5

SUNDAY

†Indicates programme in black and white

BBC1

8:45 am Through the Garden Gate 9:15 Inigo 9:30 This is the Day. 10:00 A Vous la France! ...

"The Shooting Party" starring James Mason, Cheryl Campbell, Robert Hardy, Edward Fox, Dorothy Tutin and John Gielgud. 11:15 Dance Energy 11:55-12:30 am Rapido.

BBC2

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BBC RADIO 3

BBC RADIO 4

BBC RADIO 5